

**COMPARATIVE STUDY ON DEPOSIT MOBILIZATION
OF KUMARI BANK LIMITED AND
HIMALAYAN BANK LIMITED**

By

KIRAN PRAKASH BARAL

Shanker Dev Campus

Campus Roll No.: 1669/063

T.U. Regd. No.: 7-1-297-832-2000

2nd Year Exam Symbol No.: 3098

A Thesis Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

*In partial fulfillment of the requirement for the degree of
Master of Business Studies (MBS)*

Kathmandu, Nepal

December 2010

RECOMMENDATION

This is to certify that the thesis

Submitted by:

KIRAN PRAKASH BARAL

Entitled:

**COMPARATIVE STUDY ON DEPOSIT MOBILIZATION
OF KUMARI BANK LIMITED AND
HIMALAYAN BANK LIMITED**

*has been prepared as approved by this Department in the prescribed format of
the Faculty of Management. This thesis is forwarded for examination.*

.....
Dr. Shilu Manandhar Bajracharya
(Thesis Supervisor)

.....
Prof. Bishweshor Man Shrestha
(Head, Research Department)

.....
Prof. Dr. Kamal Deep Dhakal
(Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

By

KIRAN PRAKASH BARAL

Entitled:

COMPARATIVE STUDY ON DEPOSIT MOBILIZATION OF KUMARI BANK LIMITED AND HIMALAYAN BANK LIMITED

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of

Master of Business Studies (MBS)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (External Expert)

DECLARATION

I hereby declare that the work reported in this thesis entitled “**Comparative Study on Deposit Mobilization of Kumari Bank Limited and Himalayan Bank Limited**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of **Dr. Shilu Manandhar Bajracharya** of Shanker Dev Campus, T.U.

.....
Kiran Prakash Baral

Shanker Dev Campus

Campus Roll No.: 1669/063

T.U. Regd. No.: 7-1-297-832-2000

2nd Year Exam Symbol No.: 3098

ACKNOWLEDGEMENT

This research “*Deposit Mobilization of Commercial Banks in Nepal (Comparative Study between Himalayan Bank Limited and Kumari Bank Limited)*” has been conducted with the view to examine risk analysis of two commercial banks. This effort is partial fulfillment for the degree of Master of business studies (MBS) under the course designed by the Faculty of Management, T.U. This study is based on the prescribed research format involving the use of financial ratios in banking sector. Hence, deposit mobilization of the selected banks listed in NEPSE has been studied and as possible as of it is presented.

At the time of preparing this study, I had consulted various personalities. So I would like to extend my sincere thanks to all whose works and ideas helped me in conducting the study. Sincerely, I would like to pay my sincere thanks to Dr. Shilu Manandhar Bajracharya, respected supervisor of Shankar Dev Campus.

Finally, I would like to offer my profound gratitude to my family, especially to my friends Ms. Sunita Shrestha and Mr. Hikmat Subedi for their encouragement and support during the entire period of my study.

Kiran Prakash Baral

TABLE OF CONTENTS

Recommendation	
Viva Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
	Page No.
CHAPTER - I	INTRODUCTION
1.1 Background of the Study	1
1.2 Development of Banking System in Nepal	4
1.3 Profile of the Selected Banks	7
1.3.1 Himalayan Bank Limited (HBL)	7
1.3.2 Kumari Bank Limited (KBL)	9
1.4 Focus of the Study	10
1.5 Statement of the Problem	11
1.6 Objective of the Study	13
1.7 Significance of the Study	13
1.8 Limitations of the Study	14
1.9 Organization of the Study	14
CHAPTER – II	REVIEW OF LITERATURE
2.1 Conceptual Review	16
2.1.1 Modern Banking in Nepal	16
2.1.2 Concepts of Commercial Bank	19
2.1.3 Types of Banks	20
2.1.3.1 Central Bank	20
2.1.3.2 Commercial Bank	20
2.1.3.3 Agriculture Bank	21

2.1.3.4 Industrial Bank/ Development Bank	21
2.1.3.5 Savings Bank	21
2.1.3.6 Merchant Bank	21
2.1.3.7 Postal Savings Bank	21
2.1.3.8 Retail Bank	22
2.1.3.9 Land Development Bank	22
2.1.3.10 Universal Bank	22
2.1.4 Functions of the Commercial Banks	22
2.1.5 Concept of Deposit and Deposit Mobilization	24
2.1.6 Deposit Mobilization	29
2.1.7 Requirement for Deposit Mobilization	32
2.1.8 Advantage of Deposit Mobilization	33
2.1.9 Loans and Advances	34
2.1.10 Investment and Investment Policy	36
2.1.10.1 Investment	36
2.1.10.2 Investment Policy	36
2.1.10.3 Characteristics of Sound Investment Policy	36
2.1.11 Deposit Mobilization Institution in Nepal	38
2.2 Review of Related Studies	38
2.2.1 Review of Thesis	41

CHAPTER – III RESEARCH METHODOLOGY

3.1 Research Design	43
3.2 Research Hypothesis	43
3.3 Source and Nature of Data	44
3.4 Population and Sample	44
3.5 Method of Data Analysis	45
3.5.1 Financial Tools	45
3.5.2 Statistical Tools	48

CHAPTER – IV DATA PRESENTATION AND ANALYSIS

4.1 Financial Analysis	52
4.1.1 Collection of Deposit	52
4.1.1.1 Deposit Collection Growth	52
4.1.1.2 Sources of Deposit Collection	54
4.1.1.3 Total Deposit to Total Fund	57
4.1.2 Deposit Mobilization	58
4.1.2.1 Cash and Bank Balance to Total Deposit Ratio	59
4.1.2.2 Cash Reserve Ratio	60
4.1.2.3 Loan and Advances to Total Deposit Ratio	62
4.1.2.4 Investment to Total Deposit Ratio	64
4.1.2.5 Money at Short Call and Notice to Total Deposit Ratio	65
4.1.2.6 Fixed Assets to Total Deposit Ratio	67
4.1.2.7 Office Overhead to Total Deposit Ratio	68
4.1.2.8 Interest Expenses on Deposit Ratio	69
4.1.2.9 Net Profit after Tax to Total Deposit Ratio	71
4.2 Statistical Analysis	73
4.2.1 Correlation and Regression Analysis	73
4.2.1.1 Correlation and Regression Analysis between Loan & Advances and Total Deposit	73
4.2.1.2 Correlation and Regression Analysis between Investment and Total Deposit	74
4.2.1.3 Correlation and Regression Analysis between Net Profit and Total Deposit	76
4.2.2 Trend Analysis	77
4.2.2.1 Deposit Collection	77
4.3 Major Findings of the Study	79

CHAPTER – V SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary	81
5.2 Conclusion	82
5.3 Recommendations	83

Bibliography

Appendices

LIST OF TABLES

Table No. No.	Title	Page
1.1	List of Licensed Commercial Banks	6
4.1	Deposit Collection Growth	52
4.2	Sources of Deposit Collection	55
4.3	Total Deposit to Total Fund Ratio	57
4.4	Cash and Bank Balance to Total Deposit Ratio	59
4.5	NRB Balance to Total Local Deposit Ratio	61
4.6	Loan and Advances to Total Deposit Ratio	62
4.7	Investment to Total Deposit Ratio	64
4.8	Money at Short Call and Notice to Total Deposit Ratio	65
4.9	Fixed Assets to Total Deposit Ratio	67
4.10	Office Overhead to Total Deposit Ratio	68
4.11	Interest Expenses on Deposit Ratio	70
4.12	Net Profit after Tax to Total Deposit Ratio	71
4.13	Correlation and Regression Analysis between Loan and Advances and Deposit	73
4.14	Correlation and Regression Analysis between Investment and Deposit	75
4.15	Correlation and Regression Analysis between Net Profit and Deposit	76
4.16	Trend Analysis of Deposit Collection	77

LIST OF FIGURES

Figure No.	Title	Page
No.		
4.1	Deposit Collection Growth	54
4.2	Total Deposit to Total Fund Ratio	58
4.3	Cash and Bank Balance to Total Deposit Ratio	60
4.4	Cash Reserve Ratio	62
4.5	Loan and Advances to Total Deposit Ratio	63
4.6	Investment to Total Deposit Ratio	65
4.7	Money at Short Call and Notice to Total Deposit Ratio	66
4.8	Fixed Assets to Total Deposit Ratio	68
4.9	Office Overhead to Total Deposit Ratio	69
4.10	Interest Expenses on Deposit Ratio	71
4.11	Net Profit after Tax to Total Deposit Ratio	72
4.12	Trend Analysis of Deposit Collection	78

ABBREVIATIONS

Amt.	=	Amount
Avg.	=	Average
B.S.	=	Bikram Sambath
C.V.	=	Coefficient of Variation
CAs	=	Current Assets
CLs	=	Current Liabilities
CRR	=	Cash Reserve Ratio
DPS	=	Dividend per share
EPS	=	Earning per share
FA	=	Fixed Assets
FY	=	Fiscal Year
HBL	=	Himalayan Bank Limited
JVB	=	Joint Venture Bank
KBL	=	Kumari Bank Limited
Misc.	=	Miscellaneous
MPEs	=	Manufacturing Public Enterprises
NBL	=	Nepal Bank Limited
NEPSE	=	Nepal Stock Exchange
NIDC	=	Nepal Industrial Development Corporation
NRB	=	Nepal Rastra Bank
P.E.	=	Probable Error
PEs	=	Public Enterprises
r	=	Correlation Coefficient
RBB	=	Rastriya Banijya Bank
ROI	=	Return on Investment
Rs.	=	Rupees
S.D.	=	Standard Deviation