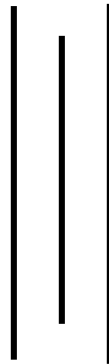


**A STUDY ON DEPOSIT MOBILIZATION OF COMMERCIAL
BANKS AND THEIR ACCESS IN DEPRIVED
AND RURAL AREA**

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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
November 2010

RECOMMENDATION

This is to certify that the Thesis

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Entitled:

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AND THEIR ACCESS IN DEPRIVED
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Buddha Raj Rai

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ABBREVIATIONS

| | | |
|-------|---|---|
| AD | : | Anno Domini |
| & | : | And |
| ATM | : | Automatic Teller Machine |
| BS | : | Bikram Sambat |
| CBS | : | Central Bureau of Statistics |
| CBs | : | Commercial Banks |
| RBB | : | Rastriya Banijya Bank |
| FY | : | Fiscal Year |
| EBL | : | Everest Bank Limited |
| GDP | : | Gross Domestic Product |
| i.e. | : | That is |
| HBL | : | Himalayan Bank Limited |
| IFIC | : | International Finance Investment and Commercial Bank |
| Ltd. | : | Limited |
| SCNBL | : | Standard Chartered Nepal Bank Limited |
| ISC | : | Industrial Service Center |
| MBS | : | Master of Business Studies |
| NGO | : | Non-Government Organization |
| NRB | : | Nepal Rastra Bank |
| NEPSE | : | Nepal Stock Exchange |
| MBA | : | Master of Business Administration |
| C.V. | : | Coefficient of Variance |
| PE(r) | : | Probable Error of Correlation Coefficient |
| PNB | : | Panjab National Bank |
| HMG | : | His Majesty Government |
| r | : | Correlation |

| | | |
|--------|---|--|
| SBI | : | State Bank of India |
| SCT | : | Smart Choice Technology |
| BOK | : | Bank of Kathmandu |
| FLs | : | Financial Institutions |
| JVBs | : | Joint Venture Banks |
| NBL | : | Nepal Bank Limited |
| A.G.M. | : | Annual General Meeting |
| NABIL | : | Nabil Bank Limited |
| NIDC | : | Nepal Industrial Development Corporation |
| SEBO | : | Security Exchange Board |
| WTO | : | World Trade Organization |
| TU | : | Tribhuvan University |
| UK | : | United Kingdom |

CHAPTER - I

INTRODUCTION

1.1 General Background

Banks are those financial institutions that are involved in monetary movement by accepting the deposits from the people and lending them as the loan with or without security deposit. In other words, bank is an organization that collects the various types of deposit from people one side and provide the loan to them other side so, the bank is mediator of people. They are involved in creating capital and the other credit instruments so as to make the financial transactions easier. They also play the role of agent among their customers. Banks, Finance companies, cooperative societies, Stock exchange centers, Provident fund office etc. are some of the examples of financial institutions. Among these financial institutions banks have become the major bone for economy.

In all modern economics, the banking system plays a central role in the economic function of mobilizing the countries saving, supply a chief means of payment and allocating economic resources. In an attempt to ensure that the banking system will perform these vital functions in an optimal manner. The modern economy demands different types of financial services. A single institution can't fulfill all the services demanded by the customers. Therefore, different types of banks also emerged in the banking industry specialization different functional areas. The developing economic market shows the need of commercial banking system for those who have surplus to deposit and for those who want loan. Thus, today's concept the commercial banks have become on of the base of measuring the level of economic development of nation.

For the smooth development of a country it is very important to have adequate savings, which can be invest in productive sector. Commercial Banks are the

main source, which motivates people to save their earnings. Bank collects the saving of people in the form of deposit collection and invests it in the productive area. They give and take the loan from the people. Commercial Banks mobilize their collection in various productive areas. The proper mobilization and utilization of domestic resources become indispensable for any developing countries aspiring for a sustainable economic development. Similarly, integrated and financial service reaches nook and corners of the country. Banks and other financial institutions are playing vital role in the economic development of the country. The importance of commercial banks may be measured in a number of ways. Banks are still the principal means of making payments, through the checking accounts, credit cards, and electronic transfer services they offer. In the same way commercial banks are important because of their ability to create money from excess reserves made available from the public's deposits.

1.2 History of Banks in Nepal

Banking practices began with the establishment of the first banking institution, Nepal Bank Limited. The Nepal Bank Limited was establishment on 30th Kartik 1994 B.S. with 51% government equity and 49% public equity commercial banks are supposed to be involved in financial sector of the country. Nepal Rastra Bank as the central bank of the country was established on 14th Baisakh 2013 B.S. under NRB Act 2012. Since then it has been functioning as government bank governing all financial sectors. Establishment of fully Government commercial bank named Rastriya Banijya Bank on 8th Shrawan 2023 added another bricklayer in banking development of country. Neapal Bank Limited and Rastriya Banijya Bank have their branch offices in various parts of the country serving people and country through mobilization of capital as deposit collection and loan disbursement.

After restoration of democracy in 2046 B.S., due to the adoption of liberal economic policy for encouragement to the private sectors to invest in banking industry a considerable number of commercial banks in joint ventures have been established. These banks have been serving in formation of capital and mobilization of such capital in productive sector. They have contributed in banking industry, commercial sectors and households through financial lending. But while disbursing loan they make the loan safe from sinking for which they take collateral of fixed property or of valuables. Even they are not expanding their transactions to the rural areas so as to give direct benefit of such banks in their capital need.

1.3 Introduction of Sample Organizations under Study

1.3.1 Rastriya Banijya Bank

Rastriya Banijya Bank (RBB) is fully government owned, and is the largest commercial bank in Nepal. RBB was established on January 23, 1966 (2022 Magh 10 BS) under the RBB Act. RBB provides various banking services to a wide range of customers including banks, insurance companies, industrial trading houses, airlines, hotels, and many other sectors.

RBB has Nepal's most extensive banking network with over 125 branches. Through its branch network, RBB has been contributing to Nepal's economic development by providing banking services throughout the country.

RBB has many correspondent arrangements with major international banks all over the world that facilitate trade finance, bank-originated personal funds transfers and inter-bank funds transfer via SWIFT. In a bid to promote remittance business, RBB works with Western Union and International Money Express, two leading person-to-person funds transfer networks.

In addition RBB runs various programmes i.e. 'Banking with the Poor', 'Micro Credit project for Women' etc. to enhance the living standard of people as government directives. As well, RBB actively delivers various government programs to people living in remote parts of the country; these programs are intended to raise living standards. At present, the bank has 34 branches in Kathmandu region, 28 branches in Biratnagar region, 15 branches in Birgunj region, 23 branches in Pokhara region, and 25 branches in Nepalgunj region. (www.rbb.com.np)

1.3.2 Everest Bank Limited

Everest Bank Ltd. is a joint venture bank ventured with Panjab National Bank of India. Since 18th October 1994, it started its operation with the technical service agreement signed between two banks Panjab National Bank and EBL. Panjab National Bank has been providing top management services and banking expertise to EBL. The bank operates with the objectives of extending professionalized banking services to various sections of the society in the kingdom of Nepal and there by contribute in the economic development of country. It has its head office at Lazimpat, Kathmandu and operating 18 branches in different cities of the country with connection to each other for the anywhere branch banking system (ABBS) through which the customers can deposit and withdraw their money from anywhere. At present, the bank has seven branches in Kathmandu valley namely New Baneshwor, Lazimpat, Newroad, Teku, Chabahil, Satungal, and Pulchowk. Besides, it has eleven branches outside the Kathmandu valley namely Biratnagar, Duhabi, Itahari, Janakpur, Birgunj, Simara, Parsa, Pokhara, Butwal, Bhairahawa, and Dhangadi. The bank in association with smart choice technology (SCT) has been providing automatic teller machine (ATM) services for its customers. EBL debit card services can be accessed at more than 50 ATMs and over 250 point of sales across the nation. The bank is also managing the ATM at

Tribhuvan International Airport for convenience of the customers and the travelers, the first and the only bank in Nepal to place ATM outlet at the Airport. (www.everstbankltd.com).

1.3.3 Himalayan Bank Limited.

Himalayan Bank Limited is another joint venture bank established in 1992 A.D. in joint venture of Nepali entrepreneurs, Employee's Provident Fund and Habib Bank Limited Pakistan. It has 51% share holding of Nepalese promoters and out of remaining from 20% from Habib Bank Limited Pakistan, 14% from financial institutions and 15% from general public. It started its operation only after one year of its establishment. This bank made the wider access of corresponding through the network of Habib Bank Ltd. Pakistan for its banking business. This is the first bank to avail an ATM service to the customers. Commercial activities, industrial and merchant banking are the main services offered to the customers by this bank. At present, the bank has 11 branches in Kathmandu valley namely Thamel, Newroad, Maharajjung, Patan, Bhaktapur, Teku, Chabahil, Swoyambhu, New Baneshwor, Sorakhutte and Dilli Bazar. Besides these, it has 20 branches outside the Kathmandu valley namely Banepa, Tandi, Bharatpur, Birgunj, Hetouda, Pokhara, Biratnagar, Dharan, Itahari, Damak, Nepalgunj, Palpa, Ghorahi, Butuwal, Baglung, Dhangadi Gorkha, Bhairahawa, Parsa and Trisuli. The bank has the very aggressive plan of establishing more branches in different parts of the country in near future. (www.hbl.com.np).

1.4 Focus of the Study

The development of a nation depends upon its domestic resources. Banking sector plays vital role in allocation and utilization of such resources. Integrated and speedy development of a country is possible when competitive banking services reaches every corners of the country it provides capital for development of

industries, trades and business. Without the banking sector the development of the country is not possible.

The commercial banks can play a vital role mobilization the resources in developing as well as developed countries. These intuitions can induce the public to save their valuable fund. They can help to monetize society. In this way, the savings can enter into the banking channel from the informal sector. Banks are the financial intermediaries, they collect the surplus money in the form of deposit and provide loans to deficit sector. In between, they follow credit creation process. In this way, they bridge gap between surplus sector and deficit sector.

Thus, this study deals with the liquidity, efficiency, profitability and risk position of commercial banks as an aid to economic development of the country by making survey of deposits and credits of commercial banks and their utilization to fulfill the financial need of the different sector of the economy.

1.5 Statement of Problem

Nepal is underdeveloped country and rapid economic development is the basic need of the country. The commercial banks are active only in urban areas ; rural areas are being neglected. There are only five rural development banks active in Nepal and the banking transitions are also minimal in comparison to the operating expenses of the bank. No banking transactions can be operated without capital. So capital is labeled as “life blood” of banking sector. The capital can be collected from the various sources such as shares, debentures, public deposits, bank loan etc. But, due to under development, poverty, lack of banking knowledge commercial banks are not so success accumulating capital.

The main problem that is the matter of study here is how far the commercial banks’ credit policy is able to address the problems of neglected group of deprived

and priority sectors as per NRB directives for priority sector issued in 2038 B.S. Ignoring this group is like ignoring directives of central bank and ignoring banks' won commitment they made at the time of establishment. The bank is not only for high economic class. Being the backbone of economic development joint venture banks should not neglect the lower class people but should bring the necessary package for those groups. In context of Nepal, success of commercial banks and other financial institutions, in this phase of the development, will be measured by the capability of deposit mobilization for addressing the deposit mobilize of priority sector and deprived sector. Basically, following are the problems of the study:

-) About 85% people of the total population live in rural area due to imbalance in the growth of banking in the country and are deprived of the banking facilities.
-) All commercial banks are not following the directives of central bank regarding priority sector and deprived sector credit.
-) Commercial banks of Nepal are considered as an efficient bank but how far are they efficient?
-) Development works need short term, medium term, and long term. But commercial banks provide only short term except in case of priority sector.
-) More than 38% of people are lying under the marginal poverty line in Nepal.
-) Risk bearing attitude of manager in rural area.

1.6 Objectives of Study

Research works will have certain objectives to fulfill. Research imposes the fact and helps for its solution through the interpretation of findings. Major objectives of this study is to study and analyze the deposit mobilization policy of some commercial banks along with some joint venture banks of Nepal and implementation of directives issued by Nepal Rastra Bank regarding credit flow of

joint venture banks in priority and deprived sectors. Moreover, following are the objectives of this study:

-) To study about deposit mobilization of commercial banks.
-) To analyze the financial position of the sample banks i.e. RBB, HBL, and EBL deprived sector.
-) To observe the deposit mobilization position of government owned commercial banks and private sector commercial banks.
-) To analyze the trend of deposit mobilization towards investment, loan and advances and investment of its projection for current 5 years.
-) To recommend the way out as per the findings of the study.

1.7 Significance of Study

Development of banking system plays a important role in the growth of any economy. Banking industry is an important institution for accelerating the process of development through deposit mobilization. In Nepal, banking industry is also playing vital role for the development of the nation. According to the NRB research report banking and financial institution are contributing around 10% to its national GDP. Due to the lack of proper infrastructure, commercial banks are handicapped to reach rural areas. Banking services are provided only urban areas . Thus, NRB need to amend its certain rules to motivate commercial banking to incorporate their branches even in the rural areas.

Mainly, this study covers the deposits and credit portion of RBB, EBL and HBL . So it helps to reveal the financial position of the bank and study occupies an important role in the series of the studies on RBB, EBL and HBL.

The significance of the study are:

- a. This study is important to banks to make polices based on recommendations and suggestions in this thesis.
- b. This study may encourage the researchers to research further.
- c. It is important for investors, customers and personnel of bank to take various decisions regarding deposit, loan, and advances.
- d. This study is important to know how well the bank is utilizing its deposit.

1.8 Limitation of the Study

Every research has its own limitations. The main focus of this study is to point out the financial position and its analysis of banking sectors. Preparations of multiple financial statements are common practices in private sector. So, the conclusion is based on the available financial statement which might not be perfectly correct in reality. However, following are the limitations of the study.

-) This study covers only five years data.
-) Data used here are annual basis for making study easy.
-) Due to different problems, except additional information, informal-formal talks to the concerned head of the department of the bank were also done. secondary data published in annual magazine of banks and internet will be used for study.
-) Time and resources constraints may limit the area covered by the study.

-) Research will be more descriptive according to nature of subject.
-) This study is only limited to some government owned commercial banks and joint venture private sector banks of Nepal.
-) Figure after decimal will be rounded.
-) The period covered by the study is from 2005 to 2009.
-) The major sources of secondary data are the financial statements of concerned banks which are extracted from the progress reports of related banks, NEPSE, Central Bureau of Statistics and other published and unpublished articles.
-) This study also has the limitation of limited time frame.

1.9 Organizational Structure of the Study

To attain the objectives of the study it should be organized in a systematic way. Structure of this study will be framed in such a way that it will be able to collect, analyze, and find the inferences which will be more factual and be helpful for fulfilling the weakness of deposit mobilization and their access of Joint Venture Banks in Nepal. The study report will be designed in five chapters as under:

Chapter-I: Introduction

This chapter describes the basic concept and background of the study. It serves the orientation for readers to know about the basic information of the research area, various problems of the study, objectives of the study and significance of study. It is oriented for readers for reporting giving them the perspective they need to understand the detailed information about coming chapter.

Chapter-II: Review of Literature

Second chapter of study is literature review. It reminds the readers about the former studies carried out in the similar areas. It explores the relevant and true facts for the research purpose by highlighting the literature available related to the study. An attempt will be made to study the bank publications, books, journals, articles, research papers thesis and directives issued by the central bank in different times.

Chapter-III: Research Methodology

Research methodology refers to the various sequential steps to be taken for the research work by the researcher. It assists the researcher to gather information, analyze them and find the inferences of the study as per the objectives of the study. It describes about various source of data related study and various tools and techniques used for presenting data.

Chapter-IV: Presentation and Analysis of Data

This chapter presents the data collected in sequential order and analyzes those using different statistical tools. It also presents the findings of the study and also comments briefly on them.

Chapter-V: Summary, Conclusions and Recommendations

After the findings are presented the researcher comes to the conclusion. In this chapter, summary of whole study, conclusions and recommendations are made.

CHAPTER-II

LITERATURE REVIEW

For the research of any field researcher should study about previous study in the same field. Review of information published in journals, newspapers, books, research reports etc. is known as literature review. This chapter deals with the findings of other researchers in the same field. It consists of conceptual framework and review of reports, articles, journals and dissertation.

2.1 Conceptual Review of Commercial Banks

Commercial bank is business organization that receives and holds the deposits of a fund and makes short- term loans or extends credits and transfers funds by written order of deposits (The Encyclopedia America 1984).

Commercial banker is a dealer in money and substitute for money such as cheques or bill of exchange. He also provides a variety of financial services (The New Encyclopedia Britannica; 1985).

Commercial Bank Act, 2031 B.S. of Nepal has defined Commercial banks as, "A commercial bank is one which exchanges money deposits money, accepts deposits, grants loans and performs commercial banking functions and which is not a bank mean for cooperative, agriculture, industries for such specific purpose" Article 2(A) (Commercial Bank Act; 2031).

But the recent The Bank and Financial Development Institution Ordinance, 2060 has five banking acts including Commercial Banking Act 2031, which defines the bank with respect to their transactions. Article 2(B) Bank and Financial Institution Ordinance, (2060).

According to this act, "Bank is the institution which performs its transaction under the provisions mentioned on section 47 of this Act."

This Act has laid emphasis on the functions of commercial bank while defining it. Commercial banks provide short-term loans for trade and commerce. They accept deposits from public in different forms and exchange bills and foreign currency.

Commercial banks are those banks that pool to gather the savings of the community and arrange for that productive use. They accept deposits from the public on the condition that they are repayable on demand of short notice. Commercial banks are restricted to invest their funds in corporate securities. Their business is confined to financing the short term needs of trade and industry such as working capital financing. They can not finance in fixed assets. They grant loans in the form of cash credits and overdrafts. Apart from financing they also render services like collection of bills and cheque, safe keeping of valuables, financing advertising etc to their customers (Vaidya, s.; 2001:38).

A commercial bank can be defined as an institution which deals in money in the words of the Crowther "banks collect money from those who have it to spare or who are saving it out of their income and lend this money out against goods security to those who require it" (Crowther, S.R. 1985).

Hence, we can conclude from the above that the commercial banks are established under the rules and legislation of the central bank of the country. It has to move as per the directives given by the central bank. Though banks are established for the mobilization of the saved fund, central bank makes certain rules so that the public or the customer of the bank may not undergo on loss of their hard earned money by the disinvestment procedure of the bank.

2.3 Functions of the Commercial Banks

Banks collect unused money from the public by providing attractive sound interest and they earn profit by lending it on mainly in business organization, industrial and agriculture sectors and buying government bonds. So, the main function of commercial banks is to mobilize idle resources in productive sectors by collecting it from scattered sources and generating profit. There are many functions performed by commercial banks which may be summarized as follows:

2.3.1 Accepting Deposit

The main objective of commercial banks is to collect the deposit. Commercial banks accept the deposit from the public who has surplus funds under three main headings namely current, savings, and fixed deposits.

- (i) **Demand Deposit:-** The deposit in which an amount is immediately paid at the time of any account holder's demand is called demand deposits. In other words, we can say this type of demand deposit as current account. Current account means an account of amounts deposited in a bank, which may be drawn at any time on demand. Its transaction is continual & such deposit cannot be invested in the productive sector, so such type of amount remains as stock in the bank. Though the bank cannot gain profit by investing it in new sector after taking from the customers, this facility is given to the customer. Therefore, the bank doesn't give interest on this account. From such deposit, the merchant and traders are benefited more than the individual. The bank should pay as many times as the cheque is sent until there is deposit in his a/c. the bank cannot impose any condition and restrictions in demand deposit. An institution or an individual, who usually needs money daily, precedes their acts and transaction through such deposit. The current account is very important for the customers of bank. In any institution, which carries out cash transaction, there is possibility of corruption; misuses and fraud.

There should be a provision of separate employees for the recovery of the cash and for the payment of the cash. The current account is necessary to collect and buy the bills, to use the facility of over-draft, letter of credit, remittance etc. Current deposit on the one hand, saves time and labor and on other hand, the bank keeps the accurate of the account holders, so it is great facility for the customers. Therefore, it has a great importance.

(ii) Saving Deposit:- The bank can collect capital through the saving deposit as well. This deposit is also important and its necessity and scope is not negligible. According to the Commercial bank Act 2031, saving accounts means an account of amounts deposited in a bank for savings purposes. This account is suitable and appropriate for the people of middle class, farmers and the labors who have low income, official and small businessmen. This saving deposit bears the features of both of the current and fixed period deposits. Generally, most accounts are opened saving deposit in a bank. Therefore, the deposit is popular in people in general. According to internal rules or banks some banks demand a small amount and some banks demand a great deal of money to open saving account. Different banks have made different rules. Some banks have made one hundred thousand, some banks have made two hundred thousand, some have three hundred thousand, some have five hundred thousand and some have not fixed the limitation. So, there is divergence as to how much amount of money can be withdrawn. Banks give some interest on it.

(iii) Fixed Deposit:- Under the commercial Bank Act 2031: Fixed Account means an account of amounts deposited in a bank for certain period of time. The customers opening such account deposit their money in this account, for a fixed period. In the other words, it is called time deposit because this account is deposited for a certain period. Usually, only the person or

institution who wants to gain more interest opens such type of account. The period of time can be 3 months, 6 months, 9 months, 1 year, 2 years, 3 years, 4 years, 5 years etc. More interest rate is payable in this deposit than other deposit. Both parties the bank and the customers can take benefit from this deposit. The banks invest this money on the productive sector and gains profit and the customers too can be made his financial transaction stronger by getting more interest from this deposit. The amount in the saving deposit must be returned to the customers after date is expires. The amount can't be withdrawn before the fixed time.

(a) Agency Service:- A commercial bank provides a range of investment services. It undertakes to buy and sell securities on behalf of its clients. The banks undertake the payment of subscriptions, premium rents etc. It collects cheques, bills, promissory notes, dividends', interests etc on behalf of the customers. The banks charges a small amount of commission for those services. It also acts as correspondent of representative of its customers, other banks and financial institutions.

(b) Credit Creations:- Commercial banks create credit on the basis of deposits. They hold a certain amount of cash reserve to meet obligations. The rest of the deposit amount is invested in loan finance that yields higher rates of interest as compared to those payable on deposits. When the advances loans, it opens an account to draw the money buy cheque according to borrows needs.

(c) Others Functions:- Other functions of the commercial banks are as follows:

-) Assets foreign trade
-) Offers security brokerage services
-) Financial advising

) Security brokerage service

2.4 Concept of Deposit

The excess of income over consumption requirement is saved. Such savings are deposited in commercial banks, even amounts to be spent for consumption purposes are deposited in commercial banks. Payment for goods and service is made in cheques drawn on banks. Banking habit is growing faster. People deposit their earnings in commercial banks because banks vaults are safer than home coffers and they pay interest according to the kind of deposits.

It is important that the commercial bank's deposit policy is the most essential policy for its existence. The growth of banks depends primarily upon the growth of its deposits. The volume of funds that management will use in creating income through loans and investment is determined largely by the bank's governing deposits. In other words, when the policy is restrictive, the growth of bank is retarded or accelerated with the liberalization in the deposit policy. In banking business, the volume of credit extension much depends upon the deposit base of a bank. The deposit creating powers of commercial banks force to raise the assets along with the liabilities side of the balance sheet. In other words, assets give rise to liabilities. Traditionally, the deposit structure of a commercial bank was thought to be determined by the depositors and not by bank management. There are regular changes in this view in the modern banking industry. Thus banks have evolved from relatively passive acceptors of depositors to active bidders for funds. Depositors are one of the aspects of the bank liabilities that management has been influencing through deliberate action (Vaidya, S.; 1999).

Thus, bank deposit is subject to various forms of classification. The deposits are generally classified based on ownership, security and the availability of funds. There are two types of deposits which are as follows:

(a) Interest Bearing Deposit:- deposit in which banks are required to pay interest is known as interest bearing deposit. Saving, Term (fixed), Call and Recurring deposits are interest bearing deposit.

(i) Saving Deposit:- a saving deposit is one in which middle class people and general server open limited amount of money that can be withdrawn and low level of interest will be provided by bank. This is a very common and general deposit a/c, which is suitable for those classes of people who want to save some portion of their earnings or the money left after the consumptions. Initial deposit as decided by the bank must be made to open the saving a/c. There are restrictions in withdrawing money at the same time the limitations depends as per nature of the economy and from one country to the other country or every one bank to the other.

(ii) Fixed Deposit or Time Deposit:- this is a kind of deposit in which banks offers fixed interest rate on the deposit and repays principal to gather with interest at fixed maturity or pays interest on regular interval. So, the money deposited in this a/c can be utilized by banks for medium for long term credit freely being confident that the depositors will not come to claim until the time lapses. Normally higher interest rate is offered for long term deposit and lower interest rate for short term deposit. The time deposit is the main source of commercial banks for their credit operation. Investment in medium term and long term purposes is possible only through this type of deposit. However, the depositors can take loan under security. In this context of Nepal, fixed deposit has been classified according to the following durations.

) Quarterly

) Semi-annually

) Annually

) Annually and above

(iii) Call Deposit:- Call deposit incorporates the characteristics of current and saving deposit in the sense deposit is withdrawn able at call and savings in as defense the deposit earns 'interest'. The companies not entitled to open saving account can open the call accounts. Interest rate of call deposit is negotiable between the bank and the depositors and hence, is normally not published in public.

Interest rate is apply on daily average balance. A withdrawal restriction is not imposed on call deposit but the balance should not go below an agreed level (Dahal, & Dahal, 1990).

(iv) Recurring Deposit:- Concept of recurring deposit was developed to encourage the thrift among people of fixed regular earning. In recurring deposit scheme, the depositor is required to deposit the fixed amount in each installment and is repaid fixed amount at maturity.

b) Non – Interest Bearing Deposit:- It is the deposit in which the banks need to pay interest for the customer of their savings. It is because in this type of deposit customers can withdraw the money at any time or can withdraw daily and the bank could not employ the amount in profitable projects that's why it does not pay any interest in this type of account. Current and margin deposit are non interest bearing deposit.

(i) Current Deposit:- The current deposit account generally opened by the business persons. They are allowed to withdraw and deposit the money according their needs. There is no limitation of withdrawing the money. Therefore, these types of deposits are for those people who may need money at uncertain times.

(ii) Margin Deposit:- Banks issue letter of credit, guarantee and indemnity etc. On behalf of the customer for a specified of money. These amounts have to be paid to the beneficiaries of aforesaid instruments provided they claim as per the terms and conditions agreed upon. Thus banks are exposed to contingent liability. To reduce the liability banks ask customer to deposit a certain amount as the margin deposit.

Banks open the fictitious margin account in the name of the borrower to put such amount and interest is not paid in such deposit. Margin deposit is required to the customer if the claim is not lodged by the beneficiary. In the case of claim, the amount is utilized to honor the claim. The customer is asked to cover the shortfall if any (Dahal, & Dahal, 1990).

Mobilization of resources also could be understood as the task of transferring the saving from those who save to those who are prepared to invest (Demond; 1957).

Therefore, the main objective of deposit mobilization is to convert idle savings into active saving. When discussing about resources mobilization we are mainly concerned with increasing the income of low-income group and to make them able to save more and to invest against the collected amount in the development activities.

It is quite understandable that comprehensive and highly objective credit policies are to be prepared and implemented effectively by the commercial banks. However, when the banks are to lend more and more credit as necessity, the sources of such loans and advances become a matter of serious consideration. Primarily, the deposit of the banking system would increase, if the structural change in one banking habits and practices and other institutional improvements are in progress. Secondly, increase in bank deposits should emanate from increase

in advances. It is known fact that every loan creates deposits through of course in different proportion. The range of propensity to deposit out of loans received is between zero and one. Greater the degree of propensity to deposit out of new loans larger will be the deposits with banks. High propensity to deposit out of loans reflects low desire of people hold cash with them selves in relation to bank deposits. In other words, this indicates increased banking habit and practices among the public at least of those who benefit through bank loans (Joshi, V.R.;1990).

Thus, it is cleared that commercial banks are setup with a view to mobilize national resources. The first condition for national economic development is to be able to collect more and more deposits. In this context, the yearly increasing rate of commercial bank's deposits clearly shows the satisfactory progress of deposit mobilization. Therefore, there is need of a use amount of capital and the objective of deposit mobilization is to collect the scattered capital in different forms with in the country. It is much more important to analyze the collated deposit in the priority sector of country. In the context of developing country like Nepal we have to promote our business and other sectors by investing the accumulated capital towards productive sectors. The need of deposit mobilization is felt to control unnecessary expenditure. If there is no saving, the extra amount that the people have, can flow towards buying unnecessary and luxury goods. Thus, the commercial banks are playing vital role for national development. Deposit mobilization is necessary to increase their activities. To increase saving is to mobilize deposit, it is because if the product of agriculture and industrial product increase it gives additional income which help to save more and ultimately it plays a good role in deposit mobilization.

2.5 Deposit Mobilization

“Collecting scattered small amount of capital through different Medias & investing the deposited fund in productive sector with a view to increase the

income of the depositor is meant deposit mobilization. In the other words, investing the collecting fund in the productive sectors & increasing the income of the depositor, it also supports to increase the saving through the investment of increased extra amount” (NRB,1984).

When we discuss about Deposit Mobilization, “we are concerned with increasing the income of the low income group of people & to make them able to save more & to invest again the collected amount in the development activities (NRB,1984). Saving refers to that part of the total income which is more than the expenditure of the individual. In other words, $\text{saving} = \text{Total income} - \text{total expenditure}$. Basically saving can be divided into two parts: Voluntary saving and Compulsory Savings. Amount deposited in different accounts of Commercial Bank, investment in government securities are some examples of voluntary saving. A commercial bank collects deposit through different accounts like fixed, saving & current.

In developing countries there is always shortage of the capital for the development activities. There is need of development in all sectors. It is not possible to handle and develop all the sectors by the government alone at a time, Private people also can not undertake large business because the per capita income of the people is very low while their propensity consumes is very high. Due to the low income their saving is very low and capital formation is also very low. So their saving is not sufficient for carrying on development works.

To achieve the higher rate of growth and per capita income, economic development should be accelerated. “Economic development may be defined in a very broad sense as a process of raising income per head through the accumulation of capital” (Johnson, 1965) but how capital can be accumulation in the development countries there are two ways one from the external and other from the internal sources. In the first gap foreign Aid, Loans and grants are the main.

While in the later, financial institution operating with in the country, play in a dominant role. In the context of Nepal, commercial bank is the main financial institution which can play very important role in the resource mobilization for the economic development in the country. Trade, industry, agriculture and commerce should be developed for the economic development.

Economic development so defined is necessary and sufficient to generate rate of saving and investment. The generation of high rates of saving and there by investment is possible only through the commercial banks. Commercial banks occupies greater role in economic development by generating the saving towards the desired sectors from one place to another, communicating with its branches and agencies in different part of the country and the world and advising to the commercial people." Increasing the income of the low income group of people and making them able to save more, deposit mobilization helps to invest the collected deposit in desired sector" (NRB, 1984).

The saving growth rate depends among others, on the level of country's per capita income and its growth rate, population growth rate, interest rate in saving or, on bank account, banking and financial facilities and net factor income etc. The national income is the measure of the nation from the economic activities. Saving is the excess if income over consumption. Investment is the expenditure made for the formation of fixed capital.

Mobilization of saving implies transfer of resources from surplus spending unit to deficit units. In this connection, financial intermediaries play an important role in mobilizing of voluntary saving. The amount of saving of a typical household in Nepal is a small because the people have limited opportunities for investment. They prefer "to spend saving on commodities rather than on financial assets. These restricts the process of financial intermediation, which might otherwise

bring such as reduction of investment risk and increase in liquidity when capital is highly mobile internally, saving from abroad can also finance the investment needed at home. When capital is not mobile internally, saving from abroad will limit investment at home.

Capital formation is possible through collecting scattered unproductive and small saving from the people. This collected fund can be utilized in productive sector to increase employment and national productivity. Deposit mobilization is the most dependable and important sources of capital formation (RBB, Upahar; 2055).

Banking transaction refers to the acceptance of deposits from the people for granting loan and advances, and returning the accepted deposit at demand or after the expiry of a certain period. According to banking rules and regulations, this definition clearly states that deposit mobilization is the starting point of banking transactions. Banking activities can be increase as much as we can mobilize the accumulated deposit effectively.

Deposit, such as current, saving and fixed are the main part of the working capital. it is due to this reason that banks keep their deposit mobilization campaign always in full swing taking resort every possible means laying at their deposit (NRB, 2040).

Commercial banks are set up with a view to mobilize national resources. The first condition of National Economic Development is to be able to collect more and more deposit. In this context, the yearly increasing rate of commercial banks deposit clearly shows the satisfactory progress of deposit mobilization (RBB, Upahar; 2054).

Huge inflow of remittance has been one of the major factors in the high growth of deposit mobilization during last couple of years. According to the NRB statistics,

the total formal remittance volume during last fiscal year was almost Rs. 65 billion, which was almost 14 percent of GDP.

As a result of this growing remittance inflow last year, the deposits of commercial bank has grown by almost 15 percent and had touched almost Rs. 65 billion from Rs. 55 billion recorded a year earlier. Similarly, the deposit mobilization of the finance companies had also witnessed a growth of over 17 percent during the same period.

2.6 Review of Rules, Regulations, and Directives of NRB Regarding Deposit Mobilization of Commercial Banks

Various rules, regulations, Acts and directives are reviewed while preparing the concept of this study. Different types of directives have been issued by NRB for the commercial banks to manage the credit in the proper way. These directives, obviously, have played the great role for the comparative analysis of credit management of the commercial banks.

2.6.1 Rules Regarding Deposit Mobilization of Commercial Banks

To mobilize the deposit in different sectors of the different parts of the nation and to prevent them from the financial problems, central bank may establish a legal framework by formulating various rules and regulations. These directives must have direct or indirect impact while making decisions. It is price worthy to note the rules and regulations which are formulated by NRB in terms of investment and credit to priority sector, deprived sector, other institutions, single borrower limit, loan loss provision, capital adequacy ratio, interest spread, and productive sector loan etc.

2.6.2 Requirement to Extend Loans and Advances to Productive and Priority sector (Including Deprived Sector)

Commercial banks are required to extend loans and advances in the productive, priority and deprived sector as follows:

2.6.2.1 of the Total Advances:

| | |
|---|---------------------------|
|) | 40% to Productive sectors |
|) | 12% to Priority sector |
|) | 3% to Deprived sector |

Shrestha S.R (2004). *“Financial Indicators of Commercial Banks”* Rastriya Banijya Bank Pratiyogita Digdarshan, Kathmandu;

Productive Sector: Productive sector credit includes loans and advances to priority sector and other productive sectors. Priority sector in includes deprived sector.

Priority Sector: Priority sector is defined to include micro and small enterprises which help increase production, employment and income as prioritized under National Development Plans with an objective to uplift the living standard of general public. The deprived and low income people are progressively reducing the prevalent unemployment, poverty, economic inequality and backwardness. Micro and small enterprises are classified as Agricultural Enterprises, Cottage and small industries and services. In addition, other businesses specified by NRB are termed as Priority sector credit. Similarly, advances up to Rs.5 million extended by commercial banks to export oriented industries for import of raw materials and machineries for the purpose of own consumption is treated as priority sector lending. Commercial banks extend deposit mobilization under priority sector programs specified by NRB time to time.

Businesses under Priority Sector are:

-) Agriculture and Agro-based businesses
-) Cottage and small Industries
-) Service Business
-) Other business as specified by NRB

2.8 Requirement for Deposit Mobilization

The following are some reasons why deposit mobilization is needed in the developing country like Nepal:-

-) Capital is needed for the development of any sector of the country. The objective of deposit mobilization is collect the scattered capital in different forms within the country.
-) The need of deposit mobilization is felt to control unnecessary expenditure. If there is no saving, the extra money that the people have, can flow forwards buying unnecessary and luxury goods. So, the government also should help to collect more deposit, stepping legal procedures to control unnecessary expenditures.
-) Commercial banks are playing a vital role National Development. They are granting loan not only in productive sectors but also in others sectors like food grains, gold, silver etc.
-) It is much more important analyze the collected deposit in priority sectors of country. In our developing country's we have to promote our business and other sectors by investing the accumulated capital towards productive sectors.

2.8 Merit of Deposit Mobilization

The merit of deposit mobilizations are as follows:-

- (i) **Circulation of Idle Money:-** Deposit mobilization helps to circulate idle money. The meaning of deposit mobilization is to convert idle saving into active saving. Deposit mobilization helps to depositor's habit of saving and it also help to circulate the idle saving in productive sector. This helps to create incentives to the depositors.

- (ii) **Development of Banking Habit:-** One important side of economic development of a country is to increase banking habit in the people. Deposit mobilization helps in these aspects. If there is proper deposit mobilization people believe on the bank and banking habit will develop among the people.

- (iii) **To Support Fiscal and Monetary Policy:-** Fiscal policy of the government and monetary policy of the central bank for economic development of a country can be supported by deposit mobilization. Deposit mobilization helps to canalize idle money in productive sector. Again, it helps in money supply, which saves the country from deflation and helps central banks objective in monetary policy.

- (iv) **Capital Formation:-** Capital plays a vital role for the development of industries. But in an under development country, there is always lack of capital to support such industries. Capital formation and industrialization is possible through deposit mobilization.

- (v) **To Support Government Development Projects:-** Every underdeveloped country's government needs a huge amount of money for development projects. The deposit collected by the commercial banks can fulfill to some extent the need of money to the government.

(vi) To Promote Cottage Industries:- Deposit mobilization is needed to facilitate cottage industries located in rural and urban areas. If the bank utilizes the collected deposit in the same rural or urban sector for the development of cottage industries, it is helpful not only to promote cottage industries in the area, but also support in the development of the locality as a whole increasing employment and income of the local people.

(vii) To Develop Rural Economy:- Deposit mobilization supports small savers by earning interest. It also helps for the development of rural economy, protects villagers from being exploitation of indigenous bankers, increase investment incentives, provides facilities to the small farmers to purchase tools and fertilizers etc. So commercial banks play an important role for the economic development not only in a development country but also in a development country.

2.9 Loan and Advances

The core function of commercial bank is the granting of credit. Although banks offer wide range of financial services, lending has traditionally been their main function. Banks possess, experience, expertise and flexibility in lending which gave them clear competitive advantage over all other financial institution. Bank credit has been responsible for development and growth of many small and moderate size business that otherwise would have withered and died by providing credit, banks have contributed to the growth of that respective communities and advances of local well being (Vaidya, s; 1999).

Commercial bank provides loan to the public through which it creates the credit for the community. Commercial banks mobilize their funds mainly in loan and advances. Loan and advances is the risky assets. There is high ratio of risk on

granting loan. Since, loan and advances is risky there is possibility of high rate of return. Banks loans and advances contribute high ratio in the profit of the banks. It is the instrumental in creating and maintain good deposit relationship which are essential for the furthering of banks lending. Making loan is the principle economic functions of banks. Therefore, how well a bank performs its lending function has a great deal to do with the economic health of the country because bank loan support the growth of the new business and jobs within the bank's trade territory and promote its economic activity.

Through banks loan and advances are the important factor for getting profit to the bank it should not grant loan haphazardly. It should analyze the creditor before the approval of the loan. A manager must consider character, capacity and capital of the borrower. Another thing in lending is always influenced by the safety, recovery and return. The four conditional principle determine the spread of loans and advances.

They are :-

-) How to be safe?
-) How to meet demand?
-) How to meet the cost?
-) How to bring about development in terms of achieving social objectives?

Generally a bank grants two type of loan i.e. short term loan and long term loan against the security. Security is necessary in case of the default of the payment. Banks can sell the property if due balance are not repaid in time with the interest.

2.10 Investment and Investment Policy

2.10.1 Investment

Investment is simply defined to be the sacrifice of current consumptions for future consumptions whose objective is to increase future wealth. The sacrifice of current

consumptions takes place at present with certainty and the investors expect desired level of wealth at the end of his investment horizon. The general principle is that the investment can be retired when cash is needed. The decision of investment is now the most crucial decision as the future level of wealth is not concern. Time and risk are the two conflicting attributes involved in the investment decision. Broadly, investment alternative fall into two categories: real assets and financial assets. Real assets are tangible while financial assets involved contracts written on pieces of papers such as common stock, bonds and debentures. Financial assets are brought and sold in organized security market.

2.10.2 Investment Policy

The initial phase, setting investment policy, involves determining the investment objective and the amount of his or her investable wealth because there is a position relationship between risk and return for sensible investment strategies. It is not appropriate for an investor to say that his or her objective is to ‘make a lot of money’. What is appropriate for an investor in this situation is to state that the objective is attempt to make a lot of money while regarding that there is same chance that large loss may be incurred. Investment objective should be stated in terms of both risk and return (Jack Clark Francis; six edition).

2.10.2.1 Characteristics of Sound Investment Policy

Some of the main characteristics of sound lending and investment policies are given below:

- (i) **Liquidity:-** People deposit money in bank indifferent account with confidence that the bank repay there money when they are in need. To maintain such confidence of the deposits the bank must keep this point in mind while investing its excess fund in different securities or at the same time of lending so that it can meet current or short term obligation when they become due for payment.

(ii) Profitability:- Commercial banks can maximize its volume of wealth through maximization of return on their investment and lending. So, they must invest their fund where they gain maximum profit. The profit of commercial banks mainly depends on interest rate, volume of loan, its time period and nature of investment in different securities.

(iii) Safety and Security:- The bank should invest its funds in those securities, which are subject to, too much depreciation and fluctuation because little difference may cause a great loss. It must not invest its fund into speculative businessman who may be bankrupt at once and who may earn million in a minute also. The bank should accept the type of securities which are commercial, durable and marketability and have high market price.

(iv) Purpose of Loan:- The loan should be utilize in purposed plan. Every thing related with the customer should be examined before lending. If borrower misuse the loan granted by the bank they can never repay and bank will posses heavy bad debts. Detailed information about the scheme of the project activities should be examined before lending.

(v) Legality:- illegal securities will bring many problems for the investors. Commercial bank must follow a rules and regulations as well as different direction issued by NRB, ministry of finance and others while mobilizing its deposits.

2.11 Review of Related Studies

Under this segment it has tried to write the major findings of the various related articles published by various magazines on different time period and major findings and analysis of the various thesis that are found to be related to the study.

2.11.1 Review of Articles and Journals

In this section effort has been made to examine and review of some related articles in different economic journals. World bank discussion magazines, newspaper and other related books.

F. Morris in his discussion paper “*Latin America’s banking system in 1980’s A.D.*” has concluded that most of the banks concentrated on compliance with central bank rules on resources requirement, credit collection and interest rates. When analyzing loan portfolio quality, operating efficiency and soundness of bank investment management has largely been overlooked. The huge losses now find in the bank’s portfolio in many developing countries and testimony to the poor quality of this ever sight investment function.

Pyakurel Bishowambhar (1987) in his article writes, “The present changing context calls for a substantial revitalization of the resource. How much they have gained over the years depends chiefly on how far they have been able to utilize their resources in an efficient manner. Therefore, the task for utilization of resources is as much crucial as the mobilization. The under utilization of resources not only results in loss of income but also goes further to discourage the collection of deposit”. Thus in his paper he has emphasized on proper utilization of mobilized resources and profitability increment.

Kafle Ramesh (1990) in the topic, “*Monetary and financial reports in Nepal*” states that consideration and liberalization of interest rate reform measure are initiated with a view to provide more option to commercial banks in a mobilization of savings and portfolio management through market determined interest and lending rate.

Shrestha Sunity (1997) in her article has presented the objective to make an analysis of contribution of CBs lending to the gross domestic product of Nepal. She has set hypothesis that there has been positive impact of lending CBs to the GDP. In research methodology, she has considered GDP as the dependent variable and various sectors of lending viz. Agriculture, industrial, commercial, service and general and social sectors as independent variables. A multiple regression techniques have been apply to analyze the contribution. The multiple analysis show that the entire variable except service sector has lending has positive impact on GDP. Thus in conclusion she has accepted the hypothesis i.e. there has been positive impact on GDP by the lending on CBs in various sectors of economy, except service sector investment.

Pradhan S.B. (1999) has presented a glimpse on investment in different sector through his article “*Deposit Mobilization, its problems and prospect*”. He has expressed that “Deposit is the life blood of any financial institution, commercial bank, finance company, co-operative or non government organization”. He has added “ in consideration, nearly three dozen of finance companies latest figures does produce a strong feeling that a serious review must be made of problem and prospect of deposit sector”.

Bjrachary Bodi B. (1999) has mentioned in his article “*Monetary policy and deposit mobilization in Nepal*” the mobilization of domestic savings is one of the prime objectives of the monetary policy in Nepal. For this purpose CBs stood as the active and vital financial intermediary for generating resource in form of deposit of the private sector. So far providing credit to the investors is a different aspect of the money.

Sharma Bhasker (2004) in his article “Banking the further of competition” has said, due to the lack of investment avenues, banks are tempted to invest without

proper credit appraisal and one personal guarantee, whose negative side effects would show colors only after 4 or 5 years. Again he said that “private CBs have mushroomed only in urban areas where banking transitions in large volume is possible. The rural and sub urban areas mostly remain unattended.

The writer adds that mismanagement in financial institution has involved inadequate and over optimistic loan appraisal, tax recovery, high risk diversification of lending and investments, high risk concentration, connected and insider lending, loan mismatching. This has led many banks of developing countries to the failure of 1980s A.D (Morris; 1990).

2.11.2 Review of Related Unpublished Thesis

Under this segment, it has tried to find out the major conclusion and recommendations of the previous study made by the T.U. student. The unpublished thesis which is found relevant to the study is as follows:

Agrawal (2003) in the thesis entitled, “*A study on deposit and investment position of Yeti Finance Company Ltd.*” has tried to examine the trend of deposit position and investment position of the Yeti finance company. That study was conducted on the basis of secondary data and used various financial tools to analyze the data. Study just covered only period of five years i.e. 1997 to 2001.

The researchers have found that the deposit policy is not stable but has highly fluctuating trend and investment is gradually in increasing trend. The researcher found there is highly positively correlation between total deposit and total investment the researcher concluded that Finance Company has been found profit oriented, ignoring the social responsibility which is not a fair strategy to sustain in long run. Therefore, it is suggested the company should involve in social program which helps the deprive people who are depended helps in agriculture. Agriculture

is the paramount of Nepalese economy so that any finance company should not forget to invest in this sector. In order to do so, they must open their branches in remote area with an objective of providing cheaper financing services.

He compares all CBs i.e. local CBs with joint venture banks. Local CBs are operating under government regulation and limitation, so they can not operate freely and are not able to provide different facilities and services like another joint venture banks which are operating independently with help of foreign investors who provide them good management as well as technical and business support.

Raimajhi, K.K. (2004) has conducted on his thesis work. “*A study on deposit mobilization of six commercial banks*” has concluded that commercial banks play a crucial accelerating the growth in the country. The bank mobilizes the savings of the people and diverts them into productive channels. The expansion of the branches as more as possible to encourage the savings i.e. to increase the savings habits of people and thereby to mobilize the available financial resources efficiently and effectively in a productive way and concluded that the branch expansion helps to collect more deposits and utilize the available resources. The conclusion is derived from this analysis.

Paudyal D.B. (2004) “*Fund mobilization of Commercial Banks in Nepal*” researched by Paudyal has tried to examined the funds mobilization of commercial banks and he has concluded that the efficient mobilization of fund is more important than collection of one deposit. Also he said lower is the investment of the available fund this will be the capital formation. If there is high ratio of investment of the available fund this will create huge capital formation which is important to the economic growth of the nation and development of nation. At last he recommended that the commercial banks should concern their behavior in the efficient mobilization of the resource to get the profit.

A thesis study conducted **Lila Prasad Ojha (2004)** on “*Lending Practices: A study on Nabil Bank Limited, Standard Chartered Nepal Limited and Himalayan Bank Limited*” has found out that the measurement of lending strength in relative term has revealed that the total liability to total assets of SCBNL has the highest ratio. However, the performance of other two banks has not deviated far from the mean ratio of SCBNL and the combined average. SCBNL tendency to invest in government securities have resulted with the lowest ratio of loans and advances to total assets ratio. The steady and high volume of loans and advances throughout the years has resulted NABIL ratio to be the highest. The ratio of loans and advances and investment to deposits ration has measured the portion of total deposits that is used to increase the income of the banks irrespective of the portfolios of its application. Nabil has deployed the highest proportion o its total deposits in earning activities and this ratio is significantly above the ratio of other two banks the combined ratio is highly deviated from the mean ratio of Nabil and which may arise due to very flexible and liberal lending policy. He has also not explained the regarding what is good liberal lending policy.

The ratio of loans and advances and investment to deposits ration has measured the portion of total deposits that is used to increase the income of the banks irrespective of the portfolios of its application. Nabil has deployed the highest proportion of its total deposits in earning activities and this ratio is significantly above the ratio of other two banks. The combined ratio is highly deviated from the mean ratio of NABIL and SCBNL. This is the indicative of that in fund mobilizing activities NABIL is significantly better than SCBNL.

Also the contribution made by HBL in the productive sector of economy is highest growth rate proportionately high volume of loans and advances and the best contribution in agriculture and priority and the high level of deposits mobilization

of HBL has put this bank in the top position in the lending function as demand by national priority, national development. However the better activity ration of SCBNL has proved this bank the best in managing the lending portfolio according to the demand of profit-oriented business. The high volume of lending activities and high volume of productive sector loan of NABIL has put this bank in the top position in absolute term.

On the basis of the findings the conclusions he has recommended for the banks as the liquidity position of all these three banks is found to be high. He has recommended the banks to look upon the new area of lending and investment. The rural economy has always been realizing the credit needs and the dominance of non-organized money lenders in this area has been prevailing. To compromise between the liquidity and credit need of rural economy these banks are highly recommended to expand their credit in this area. SCBL's contribution in loans and advances is the lowest and this has low degree of variation and low growth rate as compare to NABIL and HBL. SCBL is recommended to give extra priority on productive and priority sector loan. The increasing provision loan loss and high volume of non-performing assets in NABIL and HBL certainly attracts the high attraction of any person interested with these banks. The high volume of HBL's non-performing assets may have caused due to the failure of industrial and agricultural sector. NABIL's increased non-performing assets may have caused due to the accumulated bad debt that is kept behind the curtain to show the efficiency of management.

Joshi K.R. (2004). *“A study of financial performance of CBs”* in his thesis has concluded that liquidity position of CBs is satisfactory, local CBs has higher deposit equity ratio than joint venture banks. Loan and advances has been the main form of the investment. Assets utilization for earning purpose is two third of total

assets. The main sources of this banks are interest from loan and advances, the fund that the profitability position of NABIL is stronger than that of other CBs.

The review of above relevant thesis has no doubt enhanced the fundamental understanding and foundation knowledge base which is prerequisite to make this study meaningful and positive. Although numbers of article have not been published and various research work have not been conducted in commercial bank deposit mobilization so far, so here effort is made to do.

2.12 Research Gap

In course of literature review various articles and research reports were reviewed. The reports were found concentrated to the deposit mobilization of commercial banks. The researchers have been focused on in terms of landing practices, banking environment and management quality of commercial banks. But this study is focused in deposit mobilization of commercial banks and their access in deprived and rural areas. In the overall development of the country banks have to extend their services in different regions and to all classes of people. But Joint Venture banks are mainly focused only in city areas and have extended their credit access only among the rich class people. This study is focused on deposit mobilization of commercial banks and seeks why joint venture banks are hesitating to extend their hands among the all classes of people and all areas of the country and also will seek the way out for existing problems.

CHAPTER - III

RESEARCH METHODOLOGY

Research methodology is the procedures used for study. It states how and using what tools the researcher researches the problem under study. In easy words, it can be termed as the systematic way of solving the research problem. Its focus is on the application of the techniques and procedures to analyze the relevant variables to see the basic relationship between relevant topics. What methods, process and steps are taken for whole study of case, it is explained in research methodology. To achieve the basic objectives of the study, the following methodology will be adopted which includes research design, population sample, type and nature of data, data gathering procedure, data processing procedure, techniques of analysis and so on.

3.1 Sources and Nature of Data

This study is conducted on the basis of secondary data. The data relating to the investment, deposit, loan and advances, assets and profits are directly obtained from the balance sheet and profit and loss account of the concerned bank's annual report.

Supplementary data and information are collected from number of institution and authoritative sources like NRB, NEPSE, SEBO, web sites etc. For the additional information, informal-formal talks to the concerned head of the department of the bank were also done.

3.2 Population and Sample

Population is the universe about which the study has aimed to enquire. Out of 28 commercial banks as population small portion which bears the characteristics of

whole population is sample. On the basis of result from that sample the inference of whole universe is drawn. As the sample, three commercial banks with one government owned banks and two joint venture banks have been taken out of 27 commercial banks. Non-random method of sampling will be used for selection of samples. Five year data of sample banks will be taken as the sample data for the study. Banks in sample are as follows:

- a. Rastriya Banijya Bank Ltd.
- b. Everest Bank Ltd.
- c. Himalayan Bank Ltd.

In this study the deposit mobilization procedures of RBB, EBL, and HBL are studied.

3.3 Data Collection Techniques

Data are the ingredients for study of any field. They are basic inputs on the basis of which we analyze the matter and hence find an inference of the research. As the findings of research becomes more reliable with sufficiency of data necessary for analysis of the event or the matter of the study researcher should apply suitable techniques of collecting reliable data from reliable sources. Mainly data sources are available secondary sources. To collect such data from these sources Secondary data collection techniques are used. The steps that took place in data collection are as follows:

-) In the first step, nature of data has been identified.
-) For secondary data website of concerned sample banks and published annual reports were collected.

3.4 Method of Data Analysis

To achieve the objectives of the study various financial and statistical tools have been used. The analysis of the study will be done according to the pattern of data available and to make the analysis more effective, convenience, reliable and authentic. The different calculated results obtained through financial, accounting and statistical tools are tabulated under different headings. They are compared with each other to interpret the results.

3.4.1 Financial Tools

Analysis and interpretation of various ratio should give experienced skilled and analysis of better understanding of the financial condition and performance of the form them they would obtained from analysis of the financial data alone. The type of analysis varies according to the specific interest of the party involved.

1. Liquidity Ratio:- The ability of a bank to meet its short term obligation is known as liquidity. It reflects the short term financial strength of the bank. These ratios are used to know the capacity of the concern to repay its short term liability. Under this the following ratios are computed.

- (i) NRB balance to total deposit
- (ii) NRB liquid fund to total deposit

2. Activity Ratio:- Activity ratio reflects the firm's efficiency in utilizing its assets. Activity ratios measure the effectiveness of the employment of the resources in a business concern. Under this ratio, the following ratios are computed.

-) Credit to total deposit
-) Investment to total deposit
-) Credit and investment to total deposit
-) Loan and advances to saving deposits ratios.

3. Capital Adequacy Ratio:- This ratio has been one of the most controversial issues. Excess capital the required capital reduce the profitability where as less than capital is symbol of weak capital structure. So banks have to maintain the adequate capital as well as per the directives given by NRB.

- a. Capital to total deposit
- b. Capital to total credit
- c. Capital to total asset

4. Risk Ratio:- Risk ratio is an important ratio. It measures the risk associated with banking variable. A bank raise capital accepts deposit and finally grant loan. A bank must consider the risk associated with it. Higher the ratio higher will be the profit and vice versa. The following ratios are considered under this ratios.

- (i) Interest risk ratio
- (ii) Credit risk ratio

5. Profitability Ratio:- Maximization of profit is the main objective of each and every bank. It is very necessary to earn maximum profit for the successful running of a bank concern. According to Lord Keynes, profit is the engine that drive the business enterprises. The profit is also important to preserve the existence of bank as well as strengthen and expand it.

- i. Return on total working fund
- ii. Net profit to loan and advance
- iii. Net profit to total equity capital

3.4.2 Statistical Tools

Statistical methods are the mathematical techniques used to facilitate the analysis and interpretation of numerical data secured from groups of individuals or groups of observation from a single individual. The figures provide detail descriptions and tabulate as well as analyze data without subjectivity but only objectivity (Joshi; 2002:159).

a) Arithmetic Mean

Arithmetic mean is the ratio of the sum of all the observations to the number of the observations.

It is denoted by, (\bar{X})

We have,

$$\text{Mean } (\bar{X}) = \frac{\sum X}{n}$$

Where,

\bar{X} = Sum of all values of the observations.

n = Number of observations.

X = Values of variables.

The arithmetic mean is a single value of selected series which presents them in average. Out of various central tendencies, a mean is a one of the useful tools to find out the average value of the given data (Gupta. S.C.; 2004:414).

b) Standard Deviation (s.d.)

The measurement of the scatterness of the mass of figure in a series about an average is known as dispersion. The standard deviation measures the absolute dispersion. The greater the amount the dispersion, greater will be the standard deviation. A small standard deviation means of high degree of uniformity of the observation as well as homogeneity of a series. In this study, standard deviation of different ratio is calculated. It is denoted by “S”.

$$\text{Standard deviation ()} = \sqrt{\frac{\sum (X - \bar{X})^2}{n-1}}$$

Where,

X = expected return of the historical data.

N = number of observations.

c) Coefficient of Variation (c.v.)

The coefficient of variance measures the ratio of the standard deviation to the mean expressed in percent. It is calculated as under:

$$\text{c.v.} = \frac{\sigma}{\bar{x}} \times 100$$

where,

σ = standard deviation.

\bar{x} = mean value of variances.

coefficient of variance is also useful in comparing the amount of variation in data groups with different mean. It is the relative measure of dispersion. A distribution with smaller coefficient is said to be more homogeneous than the other. On the other hand, a series with greater coefficient of variance is said to be more variable of heterogeneous than the other (Gupta, S.C.; 2000:416).

d) Correlation of Coefficient

The coefficient of correlation measure the degree of relationship between two sets of sigma. There is various methods of finding out coefficient of correlation but Karl Pearson's method is applied in the study. The result of correlation coefficient is always between -1 and +1. It is indicated by r. When r is +1, it means there is perfect relationship between two variables and vice versa. When r = 0, it means there is no relationship between two variables. The compute formula is mentioned below:

$$r = \frac{N\sum XY - \sum X \cdot \sum Y}{\sqrt{[N\sum X^2 - (\sum X)^2] \cdot [N\sum Y^2 - (\sum Y)^2]}}$$

where,

N = Number of observation.

X = Sum of observation in series X.

Y = Sum of observation in series Y.

e) Probable Error

Probable error of the correlation coefficient is denoted by P.E. It is used for testing the reliability of the calculated value of r. P.E. is defined by:

$$P.E.(r) = 0.6745 \frac{1-r^2}{\sqrt{n}}$$

Where,

P.E.(r) = Probable Error of correlation coefficient.

r = Correlation coefficient.

n = Number of observation.

f) Trend Analysis

Trend analysis has been a very useful and commonly applied statistical to forecast the future events in quantitative terms. On the basis of tendencies in the dependent variables in the past period, the future trend is predicted. This analysis takes the historical data as basis of forecasting. This method of forecasting the future trend is based on the assumptions that the past tendencies of the variables are repeated in the future or the past events affect the future event significantly. The future trend is forecasted by using the following formula:

$$Y = a + bx$$

Where,

Y = the dependent variable.

a = the region i.e. arithmetic mean.

b = the slope coefficient i.e. ratio of change.

x = the independent variable.

CHAPTER- IV

PRESENTATION AND ANALYSIS OF DATA

Research data are presented in systematic form for making them easier for analysis. It is very important stage of research study as it helps for drawing inference of the research study. It is the process of organizing the data by tabulating and then placing that data in presentable and readable form by using various tables, figures and sources.

This chapter deals with the presentation, analysis, and interpretation of statistics, evidence and facts to clearly the research works. Hence, the study present the collected data for various purposes of analysis. The data are analyzed using financial and statistical tools to get values of different variables. The analyzed data and results are presented clearly and simultaneously using various tables, graphs, and figures. Lastly, each of the results is interpreted in each topics and sub topics.

Deposit mobilization is one of the most important factors that have been developed to facilitate effective performance of bank management. Deposit mobilization is the formal expression of the commercial banks' goals and objectives stated in financial term for specific period of time. Deposit mobilization is the very basic indicator for determining profit. The main purpose of the study is to assess the comparative deposit mobilization in selected commercial banks. Present chapter will discuss the various aspects of deposit mobilization and their actual accomplishment. Actually, deposit mobilization is a fundamental managerial tool, which is applied in commercial banks. For this respect, it will analyze the data by using various financial and statistical tools to meet the stated objectives of study. It also compares the data between selected banks. Besides, it also presents the various finding generated from data analysis.

4.1 Comparative Financial Ratio Analysis of Selected Nepalese Commercial Banks

Financial analysis assists in identifying the major strength and weaknesses of a firm. It indicates whether a company has enough cash to meet its obligations and ability to utilize properly their available sources. Financial analysis can also be used to assess the company's liability as an ongoing enterprise and determine whether a satisfactory return is being earned for the risk. Thus, comparative financial condition of the banks in terms of deposit mobilization is necessary to find out the comparative deposit mobilization in those banks.

4.1.1 Loan and Advances Composition

4.1.1.1 Priority and Deprived Sector Loan to Total Loan and Advances

Priority sector is defined to include micro and small enterprises which help increase production, employment and income as prioritized under National Development Plans with an objective to uplift the living standard of general public. The deprived and low income people are progressively reducing the prevalent unemployment, poverty, economic inequality and backwardness. Micro and small enterprises are classified as Agricultural Enterprises, Cottage and small industries and services. In addition, other businesses specified by NRB are termed as Priority sector. It also includes deprived sector loans too. Following table shows the reality of sample banks' investment in priority sector.

Table 4.1
Calculation of Mean, S.D., and C.V. of Priority and Deprived Sector Loan to
Total Loan and Advance Ratio
(in percentage)

| Year | RBB | EBL | HBL |
|--------------------|------------|------------|------------|
| 2005 | 11.00 | 5.88 | 3.67 |
| 2006 | 9.82 | 8.69 | 4.97 |
| 2007 | 9.31 | 7.90 | 2.72 |
| 2008 | 6.88 | 3.00 | 2.78 |
| 2009 | 3.84 | 2.97 | 2.68 |
| Mean (\bar{X}) | 8.17 | 5.68 | 3.36 |
| S.D. (s) | 2.84 | 2.67 | 0.98 |
| C.V. | 34.76 | 47.00 | 29.16 |

Source:- Annual Report of Concern Bank

Above table 4.1 shows the condition of priority sector loan lending by sample commercial banks. It reveals that the average ratio of the priority and deprived sector loan to total loan and advance of RBB, EBL and HBL are 8.17%, 5.68% and 3.36% respectively. The maximum ratio of priority and deprived sector of RBB is 11% in the year 2005 and the minimum ratio of priority and deprived sector of RBB is 3.84% in the year 2009. Whereas, maximum ratio of priority and deprived sector of EBL is 8.69% in the year 2006 and the minimum ratio of priority and deprived sector of EBL is 2.97% in the year 2009. Similarly, maximum ratio of priority and deprived sector of HBL is 4.97% in the year 2006 and the minimum ratio priority and deprived sector of HBL is 2.72% in the year 2007. The ratio of RBB is greater than the average ratio of EBL and HBL. The CV of HBL is less than the CV of RBB and EBL i.e. $29.16\% < 34.76\% < 47.01\%$. It indicates that the ratio with priority and deprived sector loan to total loan and

advance of EBL had higher fluctuation in comparison to HBL and RBB. Lastly, It indicates that RBB has proportionately high investment in compare to other banks.

4.1.2 Liquidity Ratio Analysis

Liquidity ratios measure the ability to meet short term and maturing obligations. This is also called solvency ratio or working capital ratio. It is the relative proportion of current assets to current liabilities. Under liquidity ratios, the following ratios are examined.

4.1.2.1 NRB Balance to Total Deposit

NRB has the commercial banks to deposit certain fund of the commercial bank in the central bank which change time to time as the demand of the time. The ratio is calculated as under:

$$\text{NRB balance to total deposit} = \frac{\text{NRB balance}}{\text{Total deposit}}$$

$$\text{Total deposit} = \text{Current} + \text{Saving} + \text{Fixed} + \text{Others}$$

Table 4.2

Calculation of Mean, S.D. and C.V. of NRB Balance to Total Deposit Ratio

(in percentage)

| Year | RBB | EBL | HBL |
|--------------------|------------|------------|------------|
| 2005 | 3.77 | 7.72 | 6.46 |
| 2006 | 2.60 | 8.25 | 4.11 |
| 2007 | 3.76 | 6.48 | 4.23 |
| 2008 | 3.98 | 4.51 | 2.94 |
| 2009 | 2.98 | 9.36 | 6.71 |
| Mean (\bar{X}) | 3.41 | 7.26 | 4.89 |
| S.D. (s) | 1.88 | 1.58 | 1.80 |
| C.V. | 55.42 | 21.76 | 36.80 |

Source:- Annex 1

The above table 4.1 helps us to analyze the short term obligation capacity of the firm. It reveals that the average ratio of the balance with NRB to total deposit of RBB, EBL and HBL are 3.41%, 4.89% and 7.26% respectively. The maximum NRB balance of RBB is 3.98% in the year 2008 and the minimum NRB balance of RBB is 2.60% in the year 2006. The maximum NRB balance of EBL is 9.36% in the year 2009 and the minimum NRB balance of EBL is 4.51% in the year 2008. The maximum NRB balance of HBL is 6.71% in the year 2009 and the minimum NRB balance of HBL is 2.94% in the year 2008. The ratio of EBL is greater than the average ratio of HBL and RBB. The CV of EBL is less than the CV of HBL and RBB i.e. $21.76% < 38.80% < 55.42%$. It indicates that the ratio with NRB to total deposit of EBL had higher fluctuation in comparison to HBL and RBB.

4.1.2.2 Total Liquid Fund to Total Deposit Ratio

Total liquid fund to total deposit ratio indicates the short term obligation capacity of the demand of the depositor money. Higher ratio shows the higher capacity of payment on demand of the money and vice versa.

$$\text{Liquid fund to total deposit} = \frac{\text{Total liquid fund}}{\text{Total deposit}}$$

Total liquid fund = cash in hand+ cash at bank+ balance with NRB+ balance with their financial institution+ call money+ balance held abroad-balance with domestic bank

Table 4.3
Calculation of Mean, S.D. and C.V. of total Liquidity fund to total Deposit
Ratio

(in percentage)

| Year | RBB | EBL | HBL |
|-------------------|------------|------------|------------|
| 2005 | 12.80 | 17.27 | 39.13 |
| 2006 | 11.32 | 10.79 | 32.94 |
| 2007 | 12.00 | 16.08 | 32.33 |
| 2008 | 17.00 | 14.03 | 31.10 |
| 2009 | 19.80 | 11.10 | 29.07 |
| Mean(\bar{X}) | 14.58 | 13.85 | 32.91 |
| S.D.(s) | 3.65 | 2.90 | 3.77 |
| C.V. | 25.03 | 20.93 | 11.45 |

Source:- Annex 2

The above table 4.2 shows ratio of liquid assets to total deposits are fluctuating during the study period. A high ratio of loan and advance is indicates better mobilization of collated deposits and vice versa. But it should be noted that too high ratio might not be better from the liquidity point of view. The above comparative table shows that these three banks have mobilized their collected deposit in variable trend. Average ratios of all the banks are 14.58%, 13.85% and 32.91% respectively. The maximum liquidity fund ratio of RBB is 19.80% in the year 2009 and minimum liquidity fund ratio of RBB is 11.32% in the year 2006. The maximum liquidity fund ratio of EBL is 17.27 in the year 2005 and the minimum liquidity fund ratio of EBL is 10.79% in 2006. The maximum liquidity fund ratio of HBL is 39.13% in the year 2005 and the minimum is in the year 2009 of 29.07%. The CV of HBL is significant lower than another banks EBL and RBB i.e. 11.45% < 20.93% > 25.03% which implies that average ratios of liquid assets to total deposits of HBL were more consistent to EBL and RBB.

4.1.3 Activity Ratio

Activity ratio is also called assets management ratio. It measures the efficiency of the bank to manage its assets in profitable and satisfactory manner. A commercial bank must manage its assets in proper way to earn high profit. Under this chapter following ratio has been studied.

4.1.3.1 Credit to Total Deposit

This ratio reflects extend to which the commercial banks are success in mobilization their assets on loan and advances for the purpose of income generation. A high ratio indicates better mobilization of deposit on loan and advances and vice versa.

$$\text{Credit to total deposit} = \frac{\text{Loan and advances}}{\text{Total deposit}}$$

Table 4.4
Calculation of Mean, S.D., and C.V. of Credit to Total Deposit
(in percentage)

| Year | RBB | EBL | HBL |
|-------------------|------------|------------|------------|
| 2005 | 31.22 | 71.19 | 53.38 |
| 2006 | 31.68 | 71.01 | 55.27 |
| 2007 | 33.70 | 75.13 | 56.57 |
| 2008 | 34.18 | 78.56 | 55.86 |
| 2009 | 38.41 | 73.43 | 58.10 |
| Mean(\bar{X}) | 33.83 | 73.86 | 55.83 |
| S.D. (s) | 2.85 | 3.13 | 1.73 |
| C.V. | 8.42 | 4.24 | 3.10 |

Source:- Annex 3

The above table 4.3 shows the fluctuation in the ratios of credit to total deposits of RBB, EBL, and HBL. The average ratio of credit to total deposit ratio of RBB, EBL, and HBL are 33.83%, 73.86%, and 55.83% respectively. EBL has the

highest credit ratio 78.56% in the year 2008, whereas, the minimum in the year 2006 of 71.01%. The highest credit ratio of HBL is 58.10% in the year 2009 and the lowest of 53.38% in the year 2005. Similarly, the highest credit ratio of RBB is 38.41% in the year 2009 and the lowest of 31.22% in the year 2005. The ratio of EBL is greater than the average ratio of HBL and RBB which indicates that EBL has mobilized quite a lot during the study periods i.e. 73.86%. HBL and RBB have mobilized only 55.83% and 33.83% on the average. It is clear that HBL and RBB is unable to mobilized the entire available deposit on this period. The CV of EBL and HBL banks is near about equal besides RBB.

4.1.3.2 Investment to Total Deposit

This ratio measures whether the banks are able to mobilize their deposit on investment in various securities. A high ratio indicates the success in mobilizing deposit in securities and vice-versa.

$$\text{Investment to total deposit ratio} = \frac{\text{Total investment}}{\text{Total deposit}}$$

Table 4.5

Calculation of Mean, S.D., and C.V. Investment to Total Deposit Ratio

(in percentage)

| Years | RBB | EBL | HBL |
|-------------------|------------|------------|------------|
| 2005 | 19.56 | 71.19 | 53.38 |
| 2006 | 25.00 | 71.01 | 55.27 |
| 2007 | 25.00 | 75.13 | 56.57 |
| 2008 | 25.08 | 61.2 | 48.90 |
| 2009 | 22.97 | 57.84 | 44.09 |
| Mean(\bar{X}) | 23.52 | 67.27 | 52.24 |
| S.D. (s) | 5.6 | 54.23 | 26.70 |
| C.V. | 23.80 | 80.61 | 51.11 |

Source:- Annex 4

The above table 4.4 concludes that EBL has mobilized its collected deposits on investment better than HBL and RBB. The average percentage of total investment of EBL is 67.27% whereas HBL has 52.24% and RBB has 23.52%. EBL has the lowest ratio 71.01% in the year 2006 and highest ratio of 75.13% in the year 2007. Whereas, HBL has lowest ratio of 44.09% in the year 2009 and highest ratio of 56.57% in the year 2007. Similarly, RBB has lowest ratio of 19.56% in the year 2005 and highest ratio of 25.08% in the year 2008. The CV of EBL is greater than CV of HBL and RBB i.e. 80.61% > 51.11% > 23.80%.

4.1.3.3 Credit and Investment to Total Deposit

This ratio shows the relationship between credit and investment to total deposit. This ratio is calculated to know how the banks are mobilizing their deposit in the credit and investment sector.

$$\text{Credit investment to total deposit ratio} = \frac{\text{Total credit and investment}}{\text{Total deposit}}$$

Table 4.6
Calculation of Mean, S.D., and C.V. of Credit and Investment to Total Deposit Ratio

(in percentage)

| Year | RBB | EBL | HBL |
|-------------------|------------|------------|------------|
| 2005 | 50.78 | 92.19 | 75.58 |
| 2006 | 56.69 | 91.03 | 90.44 |
| 2007 | 58.76 | 80.08 | 91.07 |
| 2008 | 59.27 | 99.60 | 100.50 |
| 2009 | 61.38 | 91.28 | 89.77 |
| Mean(\bar{x}) | 57.37 | 90.83 | 89.47 |
| S.D. (s) | 4.05 | 6.97 | 9.03 |
| C.V. | 7.06 | 7.67 | 10.09 |

Source:- Annex 1 5

The above table 4.5 shows EBL has the greater volume of credit and investment than that HBL and RBB. The average ratio of EBL is greater than the average ratio of HBL and RBB i.e. 90.83% > 89.47% > 57.37%. EBL has more fluctuation than HBL and RBB. The maximum credit and investment ratio of EBL is 99.60% in the year 2008 and the minimum in the year 2007 of 80.08%. Whereas, the maximum credit and investment ratio of HBL is 100.50% in the year 2008 and minimum in the year 2005 of 75.58%. Similarly, the highest credit and investment ratio of RBB is 61.38% in the year 2009 and lowest in the year 2005 of 50.78%. The credit and investment volume of EBL fluctuates during the study period whereas HBL credit and investment volume fluctuates at only increasing trend. Similarly, RBB credit and investment volume fluctuates at only increasing trend. The CV of HBL is more than the CV of EBL and RBB i.e. 10.09% > 7.67% > 7.06%. The CV of EBL and RBB are near about equal.

4.1.4 Capital Adequacy Ratio

It is used to protect depositors and promote the stability and efficiency of financial systems. Excess capital decreases the profitable whereas the less capital is the symbol of a weak capital structure. So banks have to maintain the adequate capital as per the directives given by NRB. Following ratios are calculated as under:

4.1.4.1 Total Capital to Total Deposit Ratio

Capital to total deposit ratio shows the relationship between capital and total deposit. This ratio measures how much capital has been rowed by the bank in respect to the deposit.

$$\text{Capital to total deposit ratio} = \frac{\text{Total capital}}{\text{Total deposit}}$$

Table 4.7
Calculation of Mean, S.D., and C.V. of Total Capital to Total
Deposit Ratio

(in percentage)

| Year | RBB | EBL | HBL |
|-------------------|------------|------------|------------|
| 2005 | 2.72 | 4.51 | 2.16 |
| 2006 | 2.54 | 3.75 | 2.88 |
| 2007 | 2.32 | 2.85 | 2.70 |
| 2008 | 2.02 | 6.61 | 5.07 |
| 2009 | 1.78 | 5.01 | 4.38 |
| Mean(\bar{X}) | 2.28 | 4.54 | 3.44 |
| S.D. (s) | 0.04 | 1.41 | 1.22 |
| C.V. | 1.70 | 31.05 | 35.15 |

Source:- Annex 6

The above table 4.6 shows the fluctuation in the ratio of total capital to total deposits of RBB, EBL and HBL during the study period. The average ratio of total capital to total deposit ratio RBB, EBL, and HBL are 2.28%, 4.54% and 3.44% respectively which shows that EBL had higher the ratio and it had highly fluctuating in total capital but HBL and RBB had low fluctuating in total capital respectively. EBL has the highest total capital ratio of 6.61% in the year 2008 and lowest ratio of 2.85% in the year 2007. Whereas HBL had highest total capital ratio of 5.07% in the year 2008 and lowest in the year 2005 of 2.16%. Similarly, RBB had highest total capital ratio of 2.72% in the year 2005 and lowest in the year 2009 of 1.78%. On the other hand, the CV of the RBB is quite lower than the EBL and HBL i.e. 1.70% < 31.05% < 35.15% which shows that the capital maintained by RBB is more consistent in comparison to EBL and HBL.

4.1.4.2 Total Capital to Total Credit Ratio

Capital to total credit ratio shows the relationship between total capital and total credit. It indicates how much capital is raised by the banks in respect to the credit.

$$\text{Capital to total credit ratio} = \frac{\text{Total capital fund}}{\text{Total credit}}$$

Table 4.8
Calculation of Mean, S.D., and C.V. of Total Capital to Total Credit Ratio
(in percentage)

| Year | RBB | EBL | HBL |
|-------------------|------------|------------|------------|
| 2005 | 8.72 | 6.33 | 4.04 |
| 2006 | 8.01 | 5.28 | 5.27 |
| 2007 | 6.89 | 3.79 | 4.77 |
| 2008 | 5.92 | 10.19 | 5.40 |
| 2009 | 4.48 | 9.00 | 4.61 |
| Mean(\bar{X}) | 6.80 | 6.92 | 4.70 |
| S.D. (s) | 1.68 | 2.00 | 4.35 |
| C.V. | 24.70 | 28.90 | 92.55 |

Source:- Annex 7

The above table 4.7 shows the fluctuation in the ratios of total capital to total credit of RBB, EBL, and HBL. The average ratio of total capital to total credit ratio of RBB, EBL, and HBL were 6.80%, 6.92%, and 4.70% respectively. It shows that EBL had highest ratio and it had highly fluctuating in total capital to total capital ratios. EBL has raised lower capital in respect to the credit. RBB and HBL had low raised capital in respect to total credit. The maximum total credit ratio of EBL is 10.19% in the year 2008 and lowest ratio of 3.79% in the year 2007. Whereas, the highest total capital ratio of RBB is 8.72% in the year 2005 and the lowest 4.48% in the year 2009. Similarly, the highest total capital ratio of HBL is 5.04% in the year 2008 and the lowest 4.01% in the year 2009. The CV of the RBB was lower than EBL and HBL i.e. 24.70% < 28.90% < 92.55% which shows that the capital maintained by RBB was more consistent in comparison to EBL and HBL.

4.1.4.3 Capital to Total Assets Ratio

Capital to total assets ratio measure the relationship between capital and assets. It is calculated as follows:

$$\text{Capital to total assets ratio} = \frac{\text{Total capital}}{\text{Total assets}}$$

Table 4.9

Calculation of Mean, S.D., and C.V. of Total Capital to Total Assets Ratio

(in percentage)

| Year | RBB | EBL | HBL |
|-------------------|------------|------------|------------|
| 2005 | 2.06 | 3.86 | 1.93 |
| 2006 | 2.94 | 3.24 | 2.62 |
| 2007 | 2.53 | 2.42 | 2.42 |
| 2008 | 2.23 | 4.76 | 3.63 |
| 2009 | 1.57 | 5.97 | 2.57 |
| Mean(\bar{X}) | 2.27 | 4.04 | 2.63 |
| S.D. (s) | 0.50 | 1.37 | 0.62 |
| C.V. | 22.02 | 33.82 | 23.57 |

Source:- Annex 8

The above table 4.8 shows the fluctuation in the ratio of total capital to total assets of RBB, EBL, and HBL. The average ratio of total capital to total assets ratio of RBB, EBL, and HBL were 2.27%, 4.05%, and 23.57% respectively. Which shows EBL had higher the capital to total assets ratio. There is moderately fluctuating trend in respect to the total assets and that of RBB and HBL. EBL has the highest capital ratio of 5.97% in the year 2009 and lowest of 2.42% in the year 2007. Whereas the HBL has the highest capital ratio of 3.63% in the year 2008 and lowest of 1.93% in the year 2005. Similarly, the RBB has the highest capital ratio of 2.93% in the year 2006 and lowest of 1.57% in the year 2009. The CV of the RBB is lower than HBL and EBL i.e. 22.02% < 23.57% < 33.82%. It shows that the capital maintained by RBB was more consistent compare to HBL and EBL.

4.1.5 Risk Ratio

Risk ratio is very essential element. Risk ratio measures the risk associated with the banking variables. A bank raises capital by accepting deposit and finally grant loan. These entire things come along with the risk. A bank must consider the risk associated with it. Higher the ratio higher will be the profit and vice – versa. Under this ratio following ratios are analyzed.

4.1.5.1 Interest Risk Ratio

The bank pays the interest to the depositor and takes it from the loaned. It is measure source of income and expenditure depending upon the interest rate, the banks can make invest to maximize their income interest rate structure. There is higher degree of risk related with interest rate and the possibility of loss due to change interest rate is known as interest rate risk.

$$\text{Interest rate risk ratio} = \frac{\text{Interest in sensitive assets}}{\text{Interest in sensitive liabilities}}$$

Interest in sensitive assets = loan and advances, and bond and debenture

Interest in sensitive liabilities = saving+ fixed+ other deposit+ borrowing

Table 4.10

Calculation of Mean, S.D., and C.V. Of interest Risk Ratio

(in percentage)

| Year | RBB | EBL | HBL |
|-------------------|-------|-------|-------|
| 2005 | 43.14 | 79.45 | 53.86 |
| 2006 | 37.24 | 58.87 | 52.64 |
| 2007 | 39.97 | 58.97 | 49.61 |
| 2008 | 38.00 | 47.73 | 57.45 |
| 2009 | 30.97 | 50.14 | 50.22 |
| Mean(\bar{X}) | 37.86 | 59.03 | 52.75 |
| S.D. (s) | 4.47 | 12.48 | 3.14 |
| C.V. | 11.82 | 21.14 | 5.96 |

Source:- Annex 9

The above table 4.9 shows the fluctuation in the ratios of interest risk ratio of RBB, EBL and HBL. The average ratio of interest risk ratio of RBB, EBL, and HBL were 37.86%, 59.03%, and 52.75% respectively which shows that EBL had higher the average ratio and it is able to earn more interest income than RBB and HBL. EBL has the highest risk ratio of 79.45% in year 2005 and lowest 47.73% in 2008 whereas HBL has the highest risk ratio of 57.45% in the year 2008 and lowest of 49.61% in 2007. Similarly, RBB has the highest risk ratio of 43.14% in year 2005 and lowest of 30.97% in 2009. The CV of HBL is lower than EBL and RBB i.e. 5.96% < 11.82% < 21.14% which shows that the interest income levels of HBL is more consistent compare to RBB and EBL.

4.1.5.2 Credit Risk Ratio

Credit risk ratio is related into total loan and advances and total assets. It is very essential for bank to inspect the project that is the risk involves in it to avoid default of Non-payment of loan before making investment on them. The main factor while the bank makes the decision on investment to utilize its collected fund is the risk.

$$\text{Credit risk ratio} = \frac{\text{Total loan and advances}}{\text{Total assets}}$$

Table 4.11

Calculation of Mean, S.D., and C.V. of Credit Risk Ratio

(in percentage)

| Year | RBB | EBL | HBL |
|-------------------|------------|------------|------------|
| 2005 | 31.22 | 67.12 | 47.57 |
| 2006 | 31.68 | 61.41 | 49.70 |
| 2007 | 33.70 | 63.75 | 50.71 |
| 2008 | 34.18 | 68.75 | 50.71 |
| 2009 | 38.40 | 65.24 | 51.32 |
| Mean(\bar{X}) | 33.83 | 65.24 | 49.69 |
| S.D. (s) | 2.84 | 2.67 | 1.45 |
| C.V. | 8.39 | 3.27 | 2.92 |

Source:- Annex 10

The above table 4.10 shows the fluctuation in the ratios of credit risk ratio of RBB, EBL and HBL. The average ratio of credit risk ratio of RBB, EBL and HBL 33.83%, 65.13%, and 49.69% respectively which shows that EBL had higher ratio and it is able to avoid default of non – payment of loan. EBL has the highest credit risk ratio 68.13% in the year 2008 and lowest 61.41% in the year 2006. Whereas HBL has the highest credit risk ratio 51.32% in the year 2009 and the lowest 47.57% in the year 2005. Similarly, RBB has the highest credit risk ratio 38.40% in the year 2009 and the lowest 31.22% in the year 2005. The CV of HBL is lower than the EBL and RBB i.e. 2.92% < 3.27% < 8.39% which shows that the non – performing assets in total loan and advance levels of HBL is more consistent compare to the EBL and RBB.

4.1.6 Profitability Ratio

Profitability ratio is related into profit. It measures the overall banking operations of the company in regards to the profit. Profitability ratio is determined by the financial institutions to find out their profit earning capacity on various kinds of deposits. Profit indicates the efficiency of the bank. A bank can make the profit through sound lending policy and the quality of services it provides. If the profit ratio is high, the efficiency of bank will be high. Following profitability ratios are calculated.

4.1.6.1 Return on Total Working Fund Ratio

Return on total working fund measures the relationship between the working fund and profit of the bank. Hence, working fund includes those entire fund which are used for mobilizing to earn profit.

$$\text{Return on total working capital} = \frac{\text{Net profit}}{\text{Total working fund}}$$

Total working fund = total deposit + borrowings

Table 4.12**Calculation of Mean, S.D., and C.V. of Return to Total Working Fund**

(in percentage)

| Year | RBB | EBL | HBL |
|-------------------|------------|------------|------------|
| 2005 | 2.80 | 1.69 | 1.24 |
| 2006 | 3.14 | 1.72 | 1.73 |
| 2007 | 3.22 | 1.63 | 1.64 |
| 2008 | 2.92 | 1.88 | 1.99 |
| 2009 | 2.82 | 1.90 | 2.16 |
| Mean(\bar{X}) | 2.98 | 1.76 | 1.75 |
| S.D. (s) | 0.18 | 0.11 | 0.35 |
| C.V. | 6.09 | 6.25 | 20 |

Source:- Appendix 11

The above table 4.11 shows the ratio of return to working fund ratio of RBB, EBL and HBL. The average ratio of return of working fund ratio of RBB, EBL and HBL were 2.98%, 1.76% and 1.75% respectively which shows that RBB had higher ratio. The maximum return of RBB is 3.22% in the year 2007 and the lowest is 2.80% in the year 2005, whereas the maximum return of HBL is 2.16% in the year 2009 and the lowest in the year 2005 which is of 1.24%. Similarly, the maximum return of EBL is 1.90% in the year 2009 and the lowest in the year 2007, which is 1.63%. RBB is able to earn more profit than HBL and EBL. The CV of the RBB was lower than EBL and HBL i.e. 6.09% < 6.25% < 20%. Which shows that the earning net profit levels of RBB is more consistent comparison to the EBL and HBL.

4.1.6.2 Net Profit to Loan and Advance Ratio

Net profit to loan and advance ratio measures the earning capacity of commercial bank as its deposits mobilized on loan and advances higher the ratio greater will be the return and vice – versa.

$$\text{Return on loan and advances} = \frac{\text{Net profit}}{\text{Loan and Advance}}$$

Table 4.13
Calculation of Mean, S.D., and C.V. of Return on Loan and Advance
(in percentage)

| Year | RBB | EBL | HBL |
|-------------------|------------|------------|------------|
| 2005 | 9.84 | 2.16 | 2.33 |
| 2006 | 10.87 | 2.42 | 3.12 |
| 2007 | 9.97 | 2.17 | 2.89 |
| 2008 | 8.93 | 2.39 | 3.15 |
| 2009 | 7.77 | 2.61 | 4.23 |
| Mean(\bar{X}) | 9.47 | 2.35 | 3.14 |
| S.D. (s) | 1.171 | 0.009 | 0.721 |
| C.V. | 12.36 | 3.87 | 22.96 |

Source:- Annex 12

The above table 4.12 shows the ratio of return on loan and advances ratio of RBB, EBL and HBL. RBB has the highest ratio 10.87% in the year 2006 and the lowest 7.77% in the year 2008. Whereas, HBL has the highest ratio 4.23% in the year 2009 and the lowest 2.33% in the year 2005. Similarly, EBL has the highest ratio 2.61% in the year 2009 and the lowest 2.16% in the year 2005. The average ratio of RBB, EBL and HBL were 9.47%, 2.35% and 3.14% respectively. The CV of the EBL is lower than RBB and HBL i.e. 3.87% < 12.36% < 22.96% which shows that the earning net profit level of EBL is more consistent compare to the RBB and HBL.

4.1.6.3 Net Profit to Total Equity Capital Ratio

Return to total equity capital ratio shows the relationship between net profit and equity capital. Shareholders are the member of the banks. Equity capital comes from the equity shareholders side. If the bank can mobilize its equity capital properly, they earn high profit and faith of the shareholders too. Equity capital is the ownership capital of the banks. The return on equity measures the extent to which a bank is successful to mobilize its capital.

$$\text{Return on equity} = \frac{\text{Net profit}}{\text{Total equity capital}}$$

Table 4.14
Calculation of Mean, S.D., and C.V. of return on Equity

(in percentage)

| Year | RBB | EBL | HBL |
|-------------------|------------|------------|------------|
| 2005 | 4.28 | 17.42 | 17.38 |
| 2006 | 17.34 | 21.03 | 18.71 |
| 2007 | 15.52 | 22.36 | 19.17 |
| 2008 | 20.47 | 24.44 | 16.53 |
| 2009 | 17.33 | 27.14 | 23.13 |
| Mean(\bar{X}) | 14.98 | 22.47 | 18.98 |
| S.D. (s) | 6.24 | 3.64 | 2.54 |
| C.V. | 41.65 | 16.20 | 13.38 |

Source:- Annex 13

The above table 4.13 shows that the ratio of return to equity capital ratio of RBB, EBL and HBL. The average ratio of return on equity ratio of RBB, EBL and HBL were 14.98%, 22.47% and 18.98% respectively, which shows that EBL had higher ratio and it is able to earn more profit on equity capital than another banks HBL and RBB. EBL has the highest net profit 27.14% in the year 2009 and the lowest ratio 17.42% in the year 2005. Whereas, HBL has the highest net profit ratio 23.13% in the year 2009 and the lowest ratio 16.53% in the year 2008. Similarly,

RBB has highest net profit ratio 20.47% in the year 2008 and the lowest ratio 4.28% in the year 2005. The CV of the HBL is lower than another bank EBL and HBL i.e. $13.38\% < 16.20\% < 41.65\%$ which shows that the earning net profit level of HBL is more consistent comparing to the another bank EBL and RBB.

4.2 Comparative Statistical Analysis of Selected Nepalese Commercial Banks

Under this topic some statistical tools are used to achieve the objectives of the study which are as follows:

-) Correlation coefficient (r)
-) Coefficient of determination (r^2)
-) Probable error
-) Trend analysis

4.2.1 Coefficient of Correlation

Under this chapter, Karl Pearson's coefficient of correlation is used to find out the relationship between total deposit and loan and advances and total deposit and loan and investment.

4.2.1.1 Coefficient of Correlation between Total Deposit and Loan and Advances

Total deposit and loan and advances are very important liabilities and assets of the bank. Deposits are mobilized as the loan and advances. Proper mobilization of deposits are very crucial function of the commercial banks. The relationship between deposit and loan and advance must be optimum to gain profit. In this analysis, total deposit is independent variable(X) and loan and advance is dependent variable (Y).

Table 4.15

Correlation Coefficient Between total Deposits and Loan and Advance

| Name | R | r^2 | PE | 6 X PE | Sig./ Insig. |
|------|--------|--------|--------|--------|--------------|
| RBB | 0.9952 | 0.9904 | 0.0029 | 0.0174 | Sig |
| EBL | 0.9959 | 0.9918 | 0.0024 | 0.0148 | Sig |
| HBL | 0.9618 | 0.9250 | 0.0226 | 0.1356 | Sig |

Source:- Annex 14

The above table 4.11 we can find that the correlation coefficient deposits and loan and advance of RBB, EBL, and HBL are 0.9952, 0.9959 and 0.9618 respectively. These shows the positive relationship between these two variables i.e. deposits and loan and advance of all banks.

By considering coefficient of determination (r^2), the value of r^2 is 0.9904 in case of RBB, in case of EBL 0.9918 and 0.9250 in case of HBL. The value of r^2 of RBB is 0.9905, which means 99.04% of loan and advance decision is determined by deposit and 0.96% of loan and advance depend upon other variables. The value of r^2 of EBL is 0.9918, which means 99.18% of loan and advance decision is determined by deposit and 0.82% of loan and advance depend upon other variables. The value of r^2 of HBL is 0.9250, which means tht 92.50% of loan and advance is determined by deposit and only 7.50% load and advance depend upon other variables. Above figure indicate that there are significant relationship between and loan and advance.

4.2.1.2 Correlation Coefficient between Total Deposit and Investment

Correlation coefficient between deposit and investment measures the degree of relationship between these two variables. Total deposit is independent variable (Y). The objective behind the calculation of this correlation is to find out whether deposit is significantly mobilized as the investment.

Table 4.16

Correlation Coefficient Between total Deposits and Investment

| Name | R | r^2 | PE | 6 X PE | Sig./ Insig. |
|-------------|----------|-------------------------|-----------|---------------|---------------------|
| RBB | 0.9081 | 0.8224 | 0.0538 | 0.3228 | Sig |
| EBL | 0.9590 | 0.9196 | 0.0242 | 0.1445 | Sig |
| HBL | 0.9920 | 0.9841 | 0.0047 | 0.0287 | Sig |

Source:- Annex 15

From the above table shows that correlation coefficient between deposits and investment of RBB is 0.9081. It shows the positive correlation coefficient between these two variables. The value of coefficient of determination (r^2) is also 0.8224 of RBB, which means 82.24% of investment decision depend upon deposit and 17.76% investment depend upon other variables. Similarly, probable error is 0.0538 and 6xPE is 0.3228, which shows that the relationship between deposits and investment is significant.

In the case of EBL, correlation coefficient between deposit and investment is 0.9590. It shows that positive correlation coefficient these two variables. The value of coefficient determination (r^2) is also 0.9196 of EBL which means 91.96% of investment decision depend upon deposit and 8.04% investment depend upon other variables. Similarly, probable error is 0.0645 and 6 x PE is 0.1455, which shows that the relationship between deposits and investment is significant.

In the case of HBL, correlation coefficient between deposit and investment is 0.9920 that means there is a positive correlation between two variables. The value of coefficient of determination (r^2) is also 0.9920 which means 99.20% of the investment decision depends upon deposit and only 0.80% investment decision depends upon other variables. Similarly, probable error is 0.0047 and 6 x PE is

0.0287 which shows that 'r' is greater than 6 x PE . Therefore, it reveals that relationship between deposit and investment is significant.

4.2.2 Trend Analysis

Trend analysis has been a very useful and commonly applied statistical tool to forecast variables in the past periods, the future trend is forecasted. This analysis takes the historical data as the basis of forecasting. This method of forecasting the future trend is based on the assumption that the past tendencies of the variables are repeated in the future of the past events affects the future event significantly.

The future trend is forecasted by using the formula:

$$Y = a+bx$$

Where,

Y = The dependent variable

a = The origin i.e. arithmetic mean

b = The slope coefficient i.e. rate of change

x = The independent variable

4.2.2.1 Trend Analysis of Deposit

Deposit includes current, saving, fixed and other deposit (call deposit+ others). Under this topic and effort has been made to calculate the trend values to total deposits of RBB, EBL and HBL for five years and forecast for next five year till 2014.

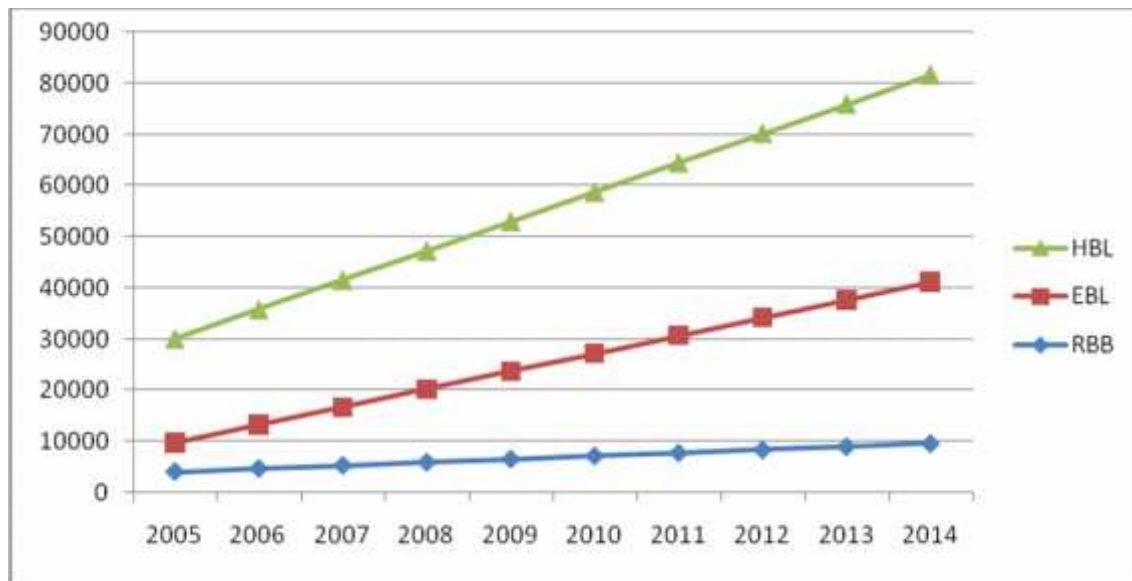
Table 4.17
Trend Analysis of Deposit

| Name | 2005 | 2006 | 2007 | 2008 | 2009 |
|------|----------|----------|----------|----------|----------|
| RBB | 4076.15 | 4695.50 | 5314.83 | 5934.17 | 6553.51 |
| EBL | 5624.83 | 8496.94 | 11369.03 | 14241.16 | 17113.27 |
| HBL | 20367.67 | 22617.93 | 24874.19 | 27130.45 | 29386.71 |

| Name | 2010 | 2011 | 2012 | 2013 | 2014 |
|------|----------|----------|----------|----------|----------|
| RBB | 7172.85 | 7792.19 | 8411.53 | 9030.87 | 9650.21 |
| EBL | 19985.38 | 22857.49 | 25729.60 | 28601.71 | 31473.82 |
| HBL | 31642.97 | 33899.23 | 36155.49 | 38441.75 | 40668.01 |

Source:- Annex A 1

Graph 4.1
Trend Analysis of Deposit



The above table has given the trend values of RBB, EBL and HBL. The trends of deposits of all banks are in increasing trend. The total deposit of HBL is greater than EBL and RBB. The other things remaining same, all banks will be accumulating a total deposit amount of Rs. 9650.21, Rs. 31473.82 and Rs. 40668.01 million in 2014 respectively of RBB, EBL and HBL.

4.2.2.2 Trend Analysis of Loan and Advances

Loan and advances includes, loan and advance disburse to government enterprises and private sector. Under this topic, an effort has been made to calculate the trend values of loan and advances of RBB, EBL and HBL for 5 years and forecast for next 5 years till 2014.

Table 4.18
Trend Analysis of Loan and Advances

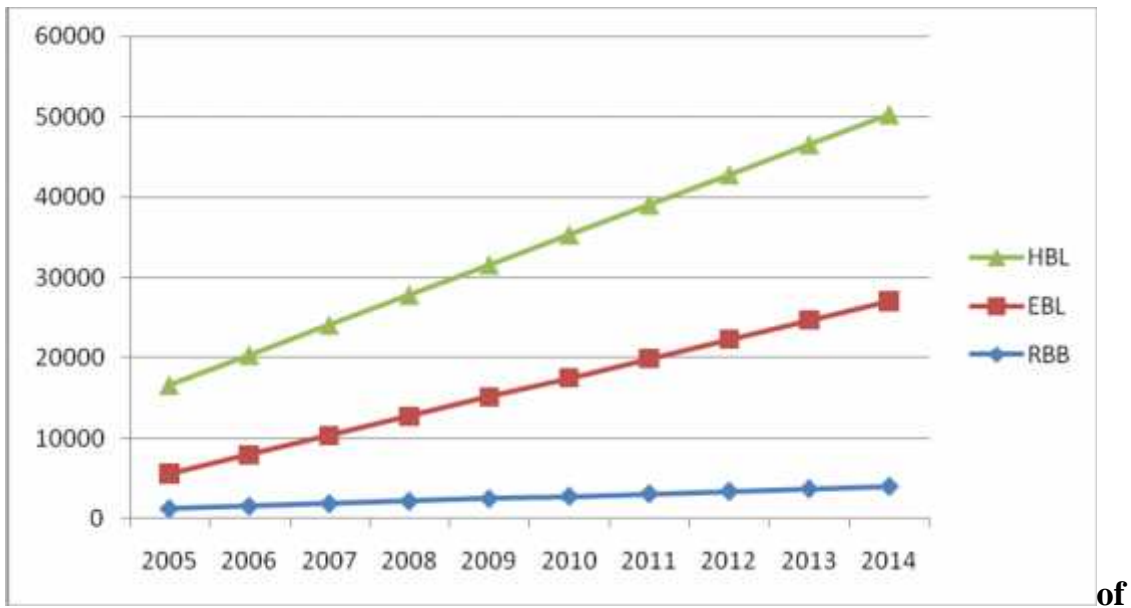
| Name | 2005 | 2006 | 2007 | 2008 | 2009 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| RBB | 1208.24 | 1514.53 | 1820.82 | 2127.11 | 2433.40 |
| EBL | 4332.25 | 6422.17 | 8512.09 | 10602.01 | 12691.93 |
| HBL | 11126.63 | 12467.47 | 13808.31 | 15149.15 | 16489.99 |

| Name | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| RBB | 2739.69 | 3045.98 | 3352.27 | 3658.56 | 3964.84 |
| EBL | 14781.85 | 16871.77 | 18961.69 | 21051.61 | 23141.53 |
| HBL | 17830.83 | 19171.67 | 20512.51 | 21853.35 | 23194.91 |

Source:- Annex A 2

Graph 4.2

Graph



Loan and Advances

The above comparative graph clear that the loan and advances of all banks are increasing regularly. The loan and advances amount of HBL is greater than EBL and RBB. Other things remains constant, all banks will be extend total loans worth Rs. 3964.85, Rs. 23141.53 and Rs .23194.91 million in 2014 of RBB, EBL and HBL respectively which is the highest amount during period of the study.

4.2.2.3 Trend Analysis of Investment

Investment includes investment in government securities, share, debentures, and bonds. Under this topic an effort has been made to calculate the trend values of investment of RBB, EBL and HBL for 5 years till 2014.

Table 4.19

Trend Analysis of Investment

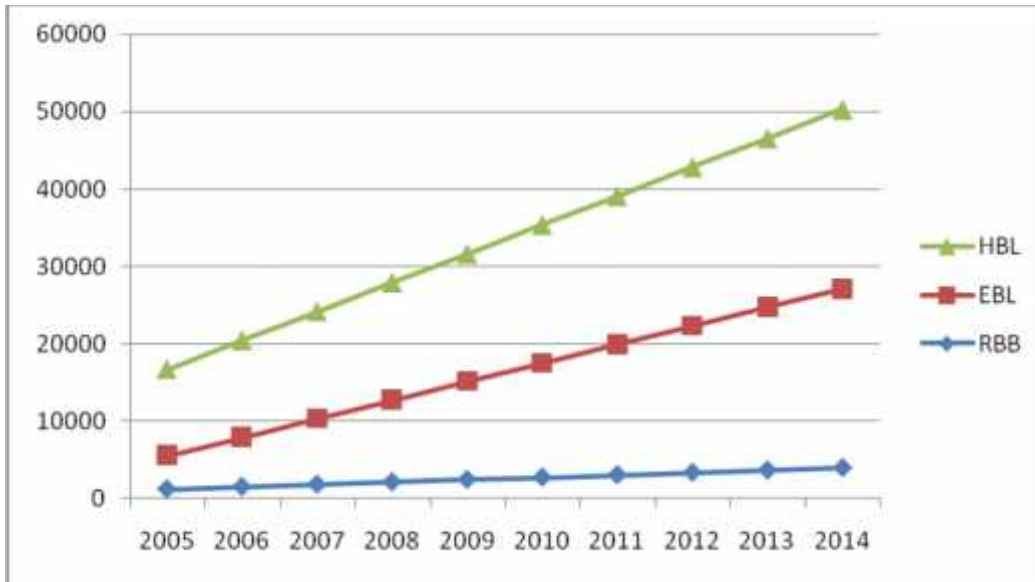
| Name | 2005 | 2006 | 2007 | 2008 | 2009 |
|------|---------|---------|---------|---------|---------|
| RBB | 907.36 | 1081.72 | 1256.14 | 1430.56 | 1604.98 |
| EBL | 1390.36 | 2235.63 | 3080.90 | 3926.16 | 4771.43 |
| HBL | 3556.24 | 4329.48 | 5102.71 | 5875.95 | 6649.18 |

| Name | 2010 | 2011 | 2012 | 2013 | 2014 |
|------|---------|---------|---------|---------|----------|
| RBB | 1779.4 | 1953.82 | 2128.24 | 2302.66 | 2477.08 |
| EBL | 5616.70 | 6461.97 | 7307.24 | 8152.50 | 8997.77 |
| HBL | 7422.42 | 8195.65 | 8968.89 | 9742.12 | 10515.36 |

Source:- Annex A 3

Graph 4.3

Graph of Investment



The above chart give the trend values of RBB, EBL and HBL. It is clear that total investment of RBB, EBL and HBL are in increasing trend. The total investment of HBL is greater than EBL and RBB in each year. All banks will accumulated total investment of Rs. 2477.08, Rs.8997.77 and Rs.10515.36 million of RBB, EBL and

HBL respectively at the end of the year 2014. The increasing trend of HBL is greater than the increasing trend of EBL and RBB at the end of the study period.

4.3 Access of Joint Venture Commercial Banks in Deprived and Rural Areas

Most of the banks have their products focused in city areas. Except products some micro finance institutions none of the banking products are focused to the poor class people. The branches of banks spread are also in major cities of the country. This study is focused on why joint venture banks do not have their access in deprived and rural areas.

4.3.1 Branch-wise Spread of Commercial Banks

This research has explored the branch wise spread of joint venture banks in rural and deprived sector.

4.3.1.1 Branches of Rastriya Banijya Bank

Table 4.20

| S.N. | Branch Office | District | S.N. | Branch Office | District |
|-------------|----------------------|-----------------|-------------|----------------------|-----------------|
| 1. | Bhojpur | Bhojpur | 12. | Dharan | Sunsari |
| 2. | Dhankuta | Dhankuta | 13. | Inaruwa | Sunsari |
| 3. | Hile | Dhankuta | 14. | Itahari | Sunsari |
| 4. | Ilam Bazar | Ilam | 15. | Gaighat | Udayapur |
| 5. | Phikkal | Ilam | 16. | Katari | Udayapur |
| 6. | Diktel | Khotang | 17. | Kalaiya | Bara |
| 7. | Bargachhi | Morang | 18. | Nijgadh | Bara |
| 8. | Belbari | Morang | 19. | Narayanghat | Chitawan |
| 9. | Biratnagar | Morang | 20. | Bharatpur | Chitawan |
| 10. | Devkotachowk | Morang | 21. | Dhanusha | Dhanusha |
| 11. | Biratnagar | Morang | 22. | Jankpur | Dhanusha |
| 23. | Sukhha | Morang | 57. | Pidarichowk | Dhanusha |

| | | | | | |
|-----|----------------|----------------|-----|--------------|-------------|
| | bandaegaha | | | | |
| 24. | Urlabari | Morang | 58. | Jaleswor | Mahottari |
| 25. | Okhaldhunga | Okhaldhunga | 59. | Hetauda | Makawanpur |
| 26. | Chainpur | Sankhuwasabha | 60. | Birgunj | Parsa |
| 27. | Khandbari | Sankhuwasabha | 61. | Birgunj | Parsa |
| 28. | Rajbiraj | Saptari | 62. | Shreepur | Parsa |
| 29. | Lahan | Siraha | 63. | Garudabazar | Routahat |
| 30. | Mirchaiya | Siraha | 64. | Gaur | Routahat |
| 31. | Siraha | Siraha | 65. | Lalbandi | Sarlahi |
| 32. | Dharan | Sunsari | 66. | Sindhuli | Sindhuli |
| 33. | Sanothimi | Bhaktapur | 67. | Ramechhap | Ramechhap |
| 34. | Suryabinayak | Bhaktapur | 68. | Salleri | Solukhumbu |
| 35. | Thimi | Bhaktapur | 69. | Lukla | Solukhumbu |
| 36. | Dhadhing | Dhadhing | 70. | Namchebazar | Solukhumbu |
| 37. | Charikot | Dolakha | 71. | Sandhikharka | Argkhachi |
| 38. | Banepa | Kavre | 72. | Baglungbazar | Baglung |
| 39. | Dhulikhel | Kavrepalanchok | 73. | Arughat | Gorkha |
| 40. | Balaju | Kathmandu | 74. | Bhachek | Gorkha |
| 41. | Baneshwor | Kathmandu | 75. | Gorkha | Gorkha |
| 42. | Bhotahiti | Kathmandu | 76. | Gulmi | Gulmi |
| 43. | Budhanilkantha | Kathmandu | 77. | Taulihawa | Kapilbastu |
| 44. | Gausala | Kathmandu | 78. | Amarsinhchok | Kaski |
| 45. | Kalanki | Kathmandu | 79. | Mahendrapul | Kaski |
| 46. | Kirtipur | Kathmandu | 80. | Prithvichowk | Kaski |
| 47. | Maharajganj | Kathmandu | 81. | Pokhara | Kaski |
| 48. | Main branch | Kathmandu | 82. | Besisahar | Lamjung |
| 49. | Maitidevi | Kathmandu | 83. | Benibazar | Magdi |
| 50. | Naxal | Kathmandu | 84. | Sunuwal | Nawalparasi |
| 51. | Singhadarbar | Kathmandu | 85. | Palpa | Palpa |
| 52. | T.I. Airport | Kathmandu | 86. | Bardaghat | Parasi |

| | | | | | |
|------|------------|------------|------|----------------|-------------|
| 53. | Teku | Kathmandu | 87. | Kawasoti | Parasi |
| 54. | Thamel | Kathmandu | 88. | Parasi | Nawalparasi |
| 55. | Thapathali | Kathmandu | 89. | Kusma | Parbat |
| 56. | Lalitpur | Lalitpur | 90. | Bhairahawa | Rupandehi |
| 91. | Pulchowk | Lalitpur | 109. | Butuwalkhasoli | Rupandehi |
| 92. | Bidur | Nuwakot | 110. | Sukabandargah | Rupandehi |
| 93. | Kharanitar | Nuwakot | 111. | Syanjabazar | Syanja |
| 94. | Manthali | Ramechhap | 112. | Ambukhaireni | Tanahu |
| 95. | Mangalsen | Achham | 113. | Dipayal | Doti |
| 96. | Baitadi | Baitadi | 114. | Doti | Doti |
| 97. | Bajhang | Bajhang | 115. | Simikot | Humla |
| 98. | Bajura | Bajura | 116. | Jumla | Jumla |
| 99. | Kohalpur | Banke | 117. | Atariya | Kailali |
| 100. | Nepalgung | Banke | 118. | Bhajani | Kailali |
| 101. | Nepalgung | Banke | 119. | Dhangadhi | Kailali |
| 102. | Guleriya | Bardiya | 120. | Manma | Kalikot |
| 103. | Dadeldhura | Dadeldhura | 121. | Mahendranagar | Kanchanpur |
| 105. | Dailekh | Dailekh | 122. | Mugu | Mugu |
| 106. | Lamahi | Dang | 123. | Bijuwar | Pyuthan |
| 107. | Tulsipur | Dang | 124. | Surkhet | Surkhet |
| 108. | Darchula | Darchula | 125. | Surkhet | Surkhet |

Source: www.rbb.com.np

Above table shows the spread of branches of Rastriya Banijya Bank in different places of the country. It has extended the services in all the districts of the country along with some remote places. Rastriya Banijya Bank has 125 branches in different places covering major cities and some rural areas of the country. It shows that it has access even in rural areas for deposit and credit through its branch network. Still, it has more branches in cities covering headquarters of districts and requires expanding its branches in deprived area so that all the poor will have their

access in the banking network. Access of limited people in the credit of commercial banks doesn't contribute in economic development of the country. But, in compare to other private joint venture banks under study Rastriya Banijya Bank, being the government bank, has expanded its access in most of the places of the country. Due to Maoist insurgency Rastriya Banijya Bank has shifted its branches from remote areas to the headquarter of the districts. Though profitability and of Rastriya Banijya Bank is not good it seems to have wide network covering major cities as well as some remote places of the country.

4.3.1.2 Branches of Everest Bank Ltd

Table 4.21

Branches of Everest Bank Ltd

| S. N. | Branch Office | District | S. N. | Branch Office | District |
|--------------|----------------------|-----------------|--------------|----------------------|-----------------|
| 1. | New Baneshwor | Kathmandu | 10. | Itahari | Sunsari |
| 2. | Lazimpat | Kathmandu | 11. | Janakpur | Dhanusha |
| 3. | New Road | Kathmandu | 12. | Birgung | Parsa |
| 4. | Teku | Kathmandu | 13. | Simara | Parsa |
| 5. | Chabahil | Kathmandu | 14. | Parsa | Parsa |
| 6. | Satungal | Kathmandu | 15. | Pokhara | Kaski |
| 7. | Pulchowk | Lalitpur | 16. | Butuwal | Butuwal |
| 8. | Biratnagar | Morang | 17. | Bhairahawa | Rupandehi |
| 9. | Duhabi | Sunsar | 18. | Dhangadi | Kailali |

Source :www.everestbankltd.com

Above table shows the spread of Everest Bank Limited in different places of the country through its branches. It has extended the services only in major cities of 12 districts along with some industrial states. It shows the limited access of Everest Bank Limited within the limited stakeholders of major cities. It lacks the access of deprived and local sectors. With spread of branches of Everest Bank no more contribution has been made in distribution of capital as expected for equip-development of the country.

4.3.1.3 Branches of Himalayan Bank Ltd

Table 4.22

Branches of Himalayan Bank Ltd

| S. N. | Branch Office | District | S. N. | Branch Office | District |
|-------|---------------|------------|-------|---------------|-----------|
| 1. | Thamel | Kathmandu | 17. | Pokhara | Kaski |
| 2. | Newroad | Kathmandu | 18. | Biratnagar | Morang |
| 3. | Maharajgunj | Kathmandu | 19. | Dharan | Sunsari |
| 4. | Patan | Lalitpur | 20. | Itahari | Sunsari |
| 5. | Bhaktapur | Bhaktapur | 21. | Damak | Jhapa |
| 6. | Teku | Kathmandu | 22. | Nepalgunj | Banke |
| 7. | Chabahil | Kathmandu | 23. | Palpa | Palpa |
| 8. | Swoyambhu | Kathmandu | 24. | Ghorahi | Dang |
| 9. | New Baneshwor | Kathmandu | 25. | Butuwal | Butuwal |
| 10. | Sorakhutte | Kathmandu | 26. | Baglung | Baglung |
| 11. | Dillibazar | Kathmandu | 27. | Dhangadi | Kailali |
| 12. | Banepa | Kavre | 28. | Gorkha | Gorkha |
| 13. | Tandi | Chitawan | 29. | Bhairahawa | Rupandehi |
| 14. | Bharatpur | Chitawan | 30. | Parsa | Parsa |
| 15. | Birgunj | Parsa | 31. | Trisuli | Dhading |
| 16. | Hetouda | Makawanpur | 32. | | |

Source: www.hbl.com.np

Above table shows the spread of Himalayan Bank Limited in different places of the country through its branches. It has extended the services only in major cities of 18 districts along with some industrial states. It shows the limited access of Himalayan Bank Limited within the limited stakeholders of major cities. It lacks the access of deprived and local sectors. With spread of branches of Himalayan Bank no more contribution has been made in distribution of capital as expected for eqi-development of the country.

4.4 Major Findings

Following are the findings derived from the secondary as well as primary survey of the study:

4.5.1 From the Point of view of Loan and Advance Composition in Priority and Deprived Sector

-) The study of priority and deprived sector loan to total loan and advance ratio it found that the average ratio of RBB has higher than EBL and HBL bank. It indicates that RBB has proportionately high investment in compare to EBL and HBL.

4.5.2 Financial Ratio Analysis

1. Liquidity Ratio

-) From the study of NRB balance with total deposit ratio, it is found that the average ratio of EBL was higher than HBL and RBB. It indicates the strong liquidity position of EBL than HBL and RBB.
-) The average ratio of liquid fund to total deposit ratio of HBL is greater than EBL and RBB which shows that HBL has much liquid fund than EBL and RBB.
-) Overall analysis of this ratio has found that EBL, HBL and RBB are following the direction given by NRB in respect to the liquidity position they are strong enough from the liquidity element.

2. Activity Ratio

-) Credit to total deposit ratios of RBB, EBL and HBL are fluctuating trend. During the study RBB has been successful in mobilizing funds than EBL and HBL.

-) Investment to total deposit ratio EBL is higher than HBL and RBB which has more consistent investment.
-) Credit and investment to total deposit ratio of EBL is higher than HBL and RBB. EBL has invested more than RBB and HBL.

3. Capital Adequacy Ratio

-) Capital to total deposit ratio reveals that EBL had higher the ratio than HBL and RBB it had slightly fluctuating in total capital. According CV of RBB is lower than EBL and HBL i.e. $1.70\% < 31.05\% < 35.15\%$ which shows that the capital maintains by RBB is more consistent compare to EBL.
-) Total capital to total capital ratio reveals that EBL had higher the ratio and it had slightly decreasing trend in total capital to total credits. On the other hand, the CV of the RBB is lower than EBL and HBL i.e. $24.70\% < 28.90\% < 92.55\%$ which shows that the capital maintained by RBB was more consistent compare to the EBL and HBL.
-) Capital to total assets ratio reveals that EBL had higher the ratio. The CV of RBB is lower than HBL and EBL i.e. $22.02\% < 23.57\% < 33.82\%$ which shows that the capital maintained by RBB is more consistent compare to the HBL and EBL.
-) In overall study of the ratio shows that RBB is in better position in this regards.

4. Risk Ratio

-) Interest rate risk ratio reveals that EBL has higher the average ratio and it was able to earn more interest income than HBL and RBB bank. The CV of HBL was less than RBB and HBL, so that it was more consistent compare to the RBB and HBL.

-) Credit risk ratio reveals that EBL had higher the average ratio and it was able to avoid default of Non- payment of loan. The CV of HBL was lower than EBL and RBB i.e. $2.92\% < 3.27\% < 8.39\%$ which shows that the non – performing assets in total loan and advance levels by HBL was more consistent compare to the HBL and RBB bank.
-) Overall study of the risk ratios shows that capital risk ratio of EBL is higher that mean it is giving due considerations in increasing of profit through the increment of deposit.

5. Profitability Ratio

-) Return on working fund reveals that the average ratio of RBB had higher ratio than EBL and HBL and it was able to earn more profit than EBL and HBL. The CV of RBB was lower than EBL and HBL i.e. $6.09\% < 6.25\% < 20\%$ which shows that the earning net profit levels of is more than EBL and RBB.
-) Return (net profit) on loan and advance reveals that HBL had higher the average ratio and it was able to earn more profit on loan and advances than EBL and RBB. The CV of EBL was lower than RBB and HBL i.e. $3.87\% < 12.36\% < 22.96\%$ which shows that the earning net profit levels by EBL is more consistent compare to the RBB and HBL.
-) Return on equity levels that EBL had higher the average ratio and it was able to earn more profit on equity capital than RBB and HBL. The CV of the HBL was lower than EBL and RBB $13.38\% < 16.20\% < 41.65\%$.

6. Correlation Coefficient

- J Correlation coefficient between total deposit and loan and advances found that there is highly positive correlation of RBB, EBL and HBL banks which indicate that increase in deposit will increase in loan and advances. This study also suggests that independent variable that is loan and advances is highly dependent to the deposit. The value of correlation is greater than the six time of PE of all banks. Therefore there significant relationship between total deposits and loan and advances of all banks.
- J Correlation coefficient between deposit and investment of all banks are also found that it is positive and it is directly related to the deposit. The correlation coefficients of all banks are greater than the value of six times of PE. It indicates that there is significant relationship between total deposit and investment.

7. Trend analysis

- J The deposits of all banks are increasing trend. The total deposit collection of HBL is greater than the EBL and RBB. The HBL bank will be accumulated of total deposit amount of Rs. 40668.01 million in 2014 while the EBL and RBB will be Rs. 31473.82 and Rs. 9650.21 million only in 2014.
- J Loan and advance of all banks are also increasing trend. HBL remained the higher volume of credit outflow; the banks will extend total loans worth Rs. 23194.91 million in 2014 EBL and RBB remained the lower position in term of loan and advances outflow that will be Rs. 23141.53 and Rs. 3964.84 million in 2014.
- J All banks total investment is in increasing trend. HBL remained the market leader in total investment, the bank will be accumulated a total investment amount of Rs. 10515.36 in 2014, which highest under the study period. EBL and RBB remained the lower position in terms of total investments will be Rs. 8997.77 and Rs. 2477.08 million in 2014.

-) The overall trend analysis of all banks shows that deposit, loan and advances and investment of HBL will be higher than EBL and RBB bank

8. From the Point of View of Branch Network

Present study based on the analysis has been able to find very important result from survey. Nepalese commercial banks are emerging with high ambitions of meeting financial needs of industrialist, businessman and general people. But they are not able to console the need of lower class people of cities and local areas and centered in major cities of the country. This research has explored, to some extent, the reason of why they, mostly by joint venture banks, do not extend their services in deprived and rural areas.

-) Study of branch wise spread shows measurable conditions of banks in access of deprived sector and local areas. Two joint venture banks have their branch networks only in major cities of limited districts. None of the branches have been found in remote area of the country. HBL has 31 branches in the major cities having 11 branches in the Kathmandu valley and 20 branches outside the Kathmandu valley. EBL has only 18 branch network with 6 branches in the Kathmandu valley and 11 branches outside the Kathmandu valley. In compare to these two joint venture banks RBB has wide spread all over the country. RBB has 125 branches in network. They have covered most of the districts of the country. Though they have wide spread service through their branch network, they also have not good access as expected. But in compare to two Joint Venture banks among the sample banks RBB has much more access in deprived and rural areas.

CHAPTER -V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Present chapter attempt to summarize the major findings of the earlier analysis and results. Researchers also attempted to draw some conclusion based on those findings. It is expected that those findings shall be very much useful for academicians and practitioners as well as bankers working in commercial banks. It was aimed to find out comparative deposit mobilization in RBB, EBL and HBL and even their access in deprived and rural areas.

5.1 Summary

There are five chapters included in this research. The first chapter includes the background of the study, statement of the problem, objectives of the study and limitations of the study. There are five objective of the study. The main objective of the study is to see the financial position of RBB, EBL and HBL. To analyze the trends of deposits mobilization of every topic and forecast the trend values of deposit, loan and advance and investment and its projection for next five years. There are many limitations of the study as the study is based on secondary data.

The second chapter focuses on the conceptual review, review of related studies, review of articles and review of thesis.

The third chapter discuss about the research design. The study is mainly based on secondary sources, except information collected from questionnaire. All data are taken form concerned banks annual report, literature publication, balance sheet, profit and loss account, previous thesis report, different website, related booklets,

journals and articles. After collecting the data from the different sources, it is analyzed by using financial tools and statistical tools.

In the fourth chapter, presentation and analysis of data are represented clearly simultaneously using tables and trend lines. Following results are summarized which is obtained by the analysis of data.

Deposit of the commercial bank is very important variable. According to the study, the contribution of the deposit to the net profit is higher in the banks. The collection of the deposit is must taken by the commercial bank so that adequate funds are available to mobilize it.

Just only increment of deposit does not give any return to the bank. A bank must have sound investment policy for the mobilization of the available funds. A deposit is that liabilities of the commercial banks which is returnable in demand at any time. So, sound investment policy has appeared to be very necessary to the commercial bank.

According to Loan and advances composition ratio, RBB is special in collecting low cost deposit and lending to priority and deprived sector. NRB directives have compelled the commercial banks to invest 3% out of the total loan in deprived sector. But in this case HBL is found rigid for investment in deprived sector though there is compulsion made by NRB. In case of EBL bank has tightly maintained the portion of investment in priority and derived sector.

According to liquidity ratio, the overall liquidity ratio of EBL is stronger than other bank HBL and RBB. It can conclude that EBL could discharge its depositor's obligation more comfortably. These ratios are used to know the capacity of the concern to repay its short term liability.

According to the activity ratio, EBL has mobilized its collected deposits on investment better than HBL and RBB. These ratios reflect how efficiently the bank is managing its resources.

According to capital adequacy ratio, EBL is good enough to show its capital than HBL and RBB. In the case of risk ratio, the study reveals that HBL has less risk ratio than EBL and RBB. So the HBL is less risky than EBL and RBB. The earning capacity of bank is measured by profitability ratio. HBL is more consistent at earning net profit than EBL and RBB but the ratio of profit to total equity capital of HBL is decreasing every year.

Karl Pearson's correlation analysis helped to conclude the fact that EBL is capable of exploiting its resources by utilizing them in more effectively and efficiently in productive sector.

Trend analysis of all ratios and trend value forecast of total deposits, loan and advance and investment shows the percentage change in several successive years.

According to the branch wise spread of sample banks to find out their access in rural areas. It is found from the study that both of joint venture banks under study were found launching branch network only in major cities. So it is found limited access of rich and middle class people of city areas in these banks.

5.2 Conclusions

As deposits are the major organ of commercial bank to sustain in the industry, CBs should have optimum policy to collect the deposit in various account. Higher the deposit higher will be chance of the mobilization of working fund and profit. Banks should not invest their fund haphazardly. It should be careful while advancing loan because loan is the blood of the CBs for survival. If commercial bank doesn't apply sound investment policy it will be in great trouble in future to

collect it in time. Hence the possibility of bankruptcy may arise there. Banks should invest their fund in various portfolios after the deep study of the project to be safe from being bankruptcy. If banks concentrate the investment in few organizations there is a high chance of default risk. Banks are important for economic development of the country. Diversification is indeed need to all the business houses but it has seen immense important to commercial banks than other business house because banks use the money of other people for the benefit of its own. It helps in the capital formation to the country which is the most important element for the economic growth of the country. In overall, it can be concluded that CBs life is totally dependent upon the deposit collection policy and the optimum deposit mobilization procedure.

5.3 Recommendations

Based on the above discussions and conclusion present research recommend few major solution to the authority, academicians, practitioners and bankers. Following are the recommendations for deposit mobilization and access of commercial banks in deprived and rural areas.

5.3.1 Recommendation to Rastriya Banijya Bank

-) NRB balance to total deposit of RBB is quit low. It should increase NRB balance so that it would have more liquid funds whenever needed.
-) The basis of credit to total deposit ratio shows that the bank cannot mobilize their total deposit properly. The RBB should increase the ratio of credit to total deposit by increasing investment on loan and advances.

5.3.2 Recommendation to Everest Bank Ltd

-) EBL is increasing loan and advance in every successive year but it is suggested that it should increase the percentage of investment on loan and advance which helps to earn more profit.

-)] To be a successful banker a bank must utilize depositor's money as a loan and advance. Loan and advances is the largest item of the bank in the assets side. EBL is recommended to utilize its depositor's money as loan and advances.

5.3.3 Recommendation to Himalayan Bank Ltd

-)] HBL is interested only in investing private sector. It is better for the bank to increase its profit by lending in highly profitable projects but there is high risk too. So HBL should diversify its investment in various securities.
-)] NRB balance to total deposit of HBL is also low. It should increase NRB balance so that it would have more liquid funds whenever needed.
-)] The basis of credit to total deposit ratio shows that the bank cannot mobilize their total deposit properly. The HBL should increase the ratio of credit to total deposit by increasing investment on loan and advances.

5.3.4 Priority Sector and Lending

One of the major objectives of this study was to find the portion of lending of sample banks in priority and deprived sector.

-)] It is found that only RBB have managed their investment portfolio addressing NRB directives of 3% on deprived sector. Since directives relating to priority sector lending is phase out, 3% of total lending should be in deprived sector.
-)] HBL is not found following directives of NRB. So it is recommended to HBL to follow directives strictly and other banks too.
-)] To invest higher percentage of total loan in deprived sector so as to involve large number of poor people in main stream of economic development.

5.3.5 Branch-wise Access of Banks

This study was also focused on finding the branch wise spread of sample banks to find out their access in rural areas.

-) It is found from the study that both of joint venture banks under study were found launching branch network only in major cities.
-) It is found limited access of rich and middle class people of city areas in these banks.
-) It is recommended to EBL and HBL to spread its network in all districts of the country addressing the credit need of poor following the concept of bank for all.

5.3.6 General Statement Recommendations

-) Commercial banks must be providing their services in the remote area and deprived people. It should not only concentrate its activities in urban areas.
-) Most of the resources are in the hand of CBs that some positions of it should be provided to micro-finance sector.
-) Through NRB liberal policy it has left the banking institutions with a limited scope of options for the rescheduling of bad loans. Considering this, the banks have to formulate the future strategies by identifying these problems.
-) The portfolio conditions of bank should be regularly revised from time to time. The banks should be able to maintain the optimum condition of it.
-) CBs are closely rural branches. Therefore it is essential to provide resources to rural people and same form of linkage needs to be set up.
-) CBs are not willing to deal in small loans so that there is gap, which needs to be fulfilled.
-) “fund from urban areas and credit to rural poor’s”. Could be the motto of CBs if they foresee the market potential.

) Lastly, sample banks are suggested to support the social welfare event to promote the business.

5.3.7 Suggestions to Future Researchers

This study was focused only on small part of deposit mobilization and access of commercial banks to know their access in deprived and rural areas. This study could explore only the surface of the subject by flooring the subject for discussion. It is recommended to future researcher to explore in deep about way out for making deposit mobilization and access in all class people so as to implement the concept of 'Bank for All'. If it is made so, a huge contribution will be there for bankers in future.

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