DEPOSIT MOBILISATION OF COMMERCIAL BANKS : A COMPARATIVE STUDY OF NABIL AND NIBL

A Thesis

Submitted

By

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Certification of Authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

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Ghan Shyam Paudyal

February, 2020

RECOMMENDATION LETTER

It is certified that this thesis entitled **“Deposit mobilization of commercial banks: A comparative study of NABIL and NIBL”** submitted by Ghan Shyam Paudyal is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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Asso. Prof. Jagat Timilsina
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February,2020

APPROVAL SHEET

We, the undersigned have examined the thesis entitled "Deposit Mobilisation of Commercial Banks: A Comparative Study of NABIL and NIBL" presented by Ghan Shyam Paudyal, a candidate for the degree of **Master of Business Studies** (MBS) and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Ghan Shyam Paudyal

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ABBREVIATIONS

%	:	Percentage
&	:	And
B.S.	:	Bikram Sambat
C. V	:	Coefficient of Variation
CBs	:	Commercial Banks
CD	:	Credit to Deposit
F.Y.	:	Fiscal Year
i.e.	:	That is
INGO	:	International Non-Government Organization
LLP	:	Loan Loss Provision
Ltd.	:	Limited
NABIL	:	Nabil Bank Limited
NGO	:	Non-Government Organization
NIBL	:	Nepal Investment Bank Limited
NPL	:	Non-performing Loan
NRB	:	Nepal Rastra Bank
P. E	:	Probable Error
S. D	:	Standard Deviation
TU	:	Tribhuvan University
WTO	:	World Trade Organization
WWW	:	World Wide Web

ABSTRACT

Deposit mobilization is an integral part of banking activity. Mobilization of savings through intensive deposit collection has been regarded as the major task of banking. Acceptance of deposits is the primary function of commercial banks. As such, deposit mobilization is one of the basic innovations in current banking activity. Hence, in this paper, an attempt is made to evaluate the trend and growth in deposit mobilization of scheduled commercial banks in the period from 2070/071 to 7074/075 B.S.

Different types of deposits, namely current deposit, savings deposit, fixed deposit, call deposit and margin deposit is considered for the study taking NABIL and NIBL. The total number of deposits accounts and total amount of deposits mobilized during the year from 2070/071 to 2074/075 in all scheduled commercial banks is gathered from NRB Annual report. The collected time series data are subjected descriptive and analytical research design. Different responsible factor for deposit mobilization of Nabil Bank Ltd (nabil) and Nepal investment bank ltd(nibl) has been analyzed by collecting secondary data.

Correlation coefficient between deposits and loan & advances indicates the positive relationship between the variables of NABIL and NIBL. In most of the cases it has been found that investment decision depends upon the deposits and only few decisions depend upon other variables. By considering the probable error, the value of coefficient of determination of both banks is greater than that of 6 P.E. so it can be concluded that the value of correlation coefficient is significant i.e. there is significant relationship between total deposits and loan and advances for NABIL as well as NIBL.

CHAPTER- I
INTRODUCTION

1.1 Background of the study

Deposit mobilization is an internal part of banking activity. Mobilization of savings through intensive deposit collection has been played the beneficial performance to the banks. Acceptance of deposits is the primary functions of commercial banks. The financial performance of any banks depends upon their deposit collection.

Commercial banks are one of the important components of organized financial system in Nepal. The organized financial system in Nepal comprises a network with depositor and creates investment opportunity towards entrepreneurial sectors.

Financial institutions are responsible for capital formation and growth of the economy as capital formation leads in the size of national output, income and employment solves the problem of inflation, balance of payments, and making the economy free from the burden of debts(Van Horne, 2002).

Deposit mobilization is one of the essential tools for the economic development of an underdeveloped and developing countries rather than the developed countries. It is because the developed countries deposit collection for capital formation is easy due to developed capital market in every sector. Low national income, low per capital income, lack of technical knowledge, vicious cycle of poverty, lack of irrigation and fertilizer, pressure of population increase, geographical conditions etc are the main problems of developing countries like Nepal, hence effective and efficient deposits mobilization could be very significant tool for sound economic development. Banking thus increases the supply of funds by collecting lodgments from public and then combining them with its capital and reserve fund. Their lodgments are accepted as current, saving and fixed accounts. Overall, however they fall into demand and time deposits. The former payable as and when demand is made and later after theexpiry of stated period (Nigam, 1987).

Capital formation is one of the important factors leads to increase in the size of national output income and employment, solving the problem of inflation, balance of payment and foreign debts (American institute of banking, 1972). Domestic capital formation helps in making a country self sustainable. According to classical economist, one of the main factors which helped capital formation was the accumulation of capital. Profit made by the business community constituted the major part of savings to the community and the saving has assumed to be invested. They thought capital formation indeed plays a deceive role in determining the level and growth of national income and economic development. In the view of many economists, capital occupies the central and strategies position in the process of economic development in an underdeveloped economy lies in a rapid expansion of the rate of its capital investment so that it attains rate of growth of output which exceeds the rate of growth of population by the significant margin. Only with such rate of capital investment will the living standard begin to improve in developing country. In developing countries, the rate of saving is quite low and existing institutions are half successful in mobilizing such savings as most people have incomes so low that vertically all current income must be spent in maintain a subsistence level of consumption.

Investment is an essence of the national economy. Banking system is the integral part of investment system in productive sector. It involves the sacrifice of current rupees for future rupees. It is concerned with the allocation of present fund for later reward, which is uncertain. When people deposit money in a saving account in bank for example; the bank must invest the money in new factories and equipment to increase their production. In addition borrowing from the banks most issues stocks and bonds that they sell to investors to raise capital needed for business expansion. Government also issues bonds to obtain funds to invest in such project such as the construction of dams, roads and schools. All such investments by individuals business and government involves a presto sacrifice of income to get an expected future benefits(Banking and Financial Statistics, 1997). As a result, investment raises a nation's standard of living.
For the development of any country, the financial sector of that country in responsible and must be strong. The financial sector is vast field, which comprises of banks cooperatives, insurance companies, financial companies, stock exchange, foreign exchange markets, mutual funds etc.These institutions collect idle and scattered money from the general public and finally invest in different enterprises of national economy that consequently help in reducingpoverty, increase in life style of people, increase employment opportunities and thereby developing the society and country as a whole. Thus, today's concept, the financial institutions and commercial banks has become one of the bases for the measuring level of economic development of nation.

Commercial banks are the main source which motivates people to save their earnings. Bank deals in accepting the saving of people in the form of deposit collection and invest it in the productive area. They give the loan to the people against real and financial assets. They transfer monetary sources from savers to users (Encyclopedia, 1966). In other words, they are intermediate between lender and receiver of fund they mobilize the depositor fund.

The commercial bank has been a vital ingredient for economic development. They are intermediaries, which mobilize funds through the prudential combination of investment portfolios in advanced countries (Crowther, 1990). Whereas in Nepal the role of joint venture banks are still to be realized as an essentials machine of mobilizing internal saving through various banking schemes in the economy. Hence, to uplift the backward economic condition of the country, the process of capital accumulation, among other prerequisites should be expedited.

Brief profile of sampled banks

Nabil Bank Ltd (NABIL)

Nabil Bank Limited is the first private sector bank in Nepal established in 12th July 1984 under a technical service agreement. The bank was set up in joint venture with foreign partner then Dubai Bank Limited and local partner institutions Nepal Industrial Development Corporation, Rastriya Beema Sansthan Ltd. and Nepal Stock Exchange Ltd. on 12th July 1984 under a technical service agreement. Nabil bank was incorporated with the objective of extending international standard modern banking services to various sectors of the society. It was earlier known as Nepal Arab Bank Ltd. It has its head office located at Nabil Center, Durbarmarg Kathmandu. It has the largest staff among private commercial banks of Nepal. Nabil bank is one of the reputed banks not only in Nepal but all over the world since most of the international financial transactions are performed by it (NABIL, homepage).

The bank is providing facilities to not only its customers but also to the employees. Fixed deposit facilities, current deposit facilities, E-banking, SMS-Banking, Mobile banking, E-Sewa, ATM facility, locker facility, ABBS, Debit card are examples of facilities provided by this bank. In regard to employees, list of facilities like: employee account service, retirement fund service, bonus, allowances, training and development program, seminar and workshops to enhance the capability of its employees are provided. Nabil is moving forward with a mission to be '1st choice provider of complete financial institutions' for all its stakeholders; Customers, Shareholders, Regulators, Communities and Staff. Nabil bank limited has completed 33 consecutive successful years, Nabil serves its expanding clientele base with a network of 62 branch offices, 109 ATM machines, over 1500 Nabil Remit agents, 969 point of sale terminals, and over 170 international correspondent banking relationships. At July 2017, Nabil has a balance sheet of Rs. 147 billion.

Nepal Investment Bank Ltd (NIBL)

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one the largest banking group in the world.

With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessman, had acquired on April 2002 the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd. The name of bank has been changed to Nepal Investment Bank Ltd. upon approval of bank’s Annual General Meeting, Nepal Rasta Bank and Company Registar’s Office. NIBL has achieved the bank of the year award for four times by The Banker Magazine. NIBL serves its expanding clientele base with a network of 66 branch offices 4 extension counters and 8 revenue collection counters, 98 ATM machines. At July 2017, NIBL has a balance sheet of Rs. 145 billion. It has its head office located at Durbarmarg Kathmandu (NIBL, homepage).

1.2 Statement of the problem and research question

Capital plays an important role in the banking sector. It is required from the promotional stage up to the end of a banking sector. No banking transactions can be operated without capital. The capital is collected from two sources i.e. internal and external. Under external sources aids, grants and loans come whereas under internal sources are accumulating capital, taxes, public enterprises and public debts. Bank deposit, an internal source is dependable and permanent sources of capital accumulation. Over the past ten years, despite the negative real interest rate on deposits, deposit volumes have grown faster. However the degree to which the banking sector puts its deposits back into the economy has been stagnating in our country.In Nepalese commercial banks they have opportunities of mega project investment if they are capable to generating huge funds.

Capital in fact, plays the leading role for the economic development of a country. But in Nepal, there is shortage of capital. There are various sources of accumulating capital internal and external sources. Under external sources: aid, grants and loans are the main sources. In internal sources: accumulating capital, taxes, public enterprises, public debt are the popular in our country. But due to poverty, lack of banking knowledge, the desired capital for the development of the country cannot be accumulated from those internal sources. So, it can be said that Nepal’s present situation bank deposit is dependable and permanent sources of capital accumulation. The major sources of funds mobilization in Nepalese banks through collection of deposits from depositors.

Mobilizing deposits is crucial in many developing countries like Nepal. Domestic funds provide a cheap and reliable source of funds for development, which is of great value for developing countries, especially when the economy has difficulty raising capital in international markets. Yet in many developing countries, there is a considerable amount of savings that are not intermediated through the formal sector. In particular, there exists a significant savings potential in the rural sector in many developing countries. One of the reasons for lack of saving mobilization is that banks simply do not cater to significant parts of households. Indeed in many rural areas banks are and even in urban and semi-urban areas banks do not reach out to a significant proportion of the population. Collection of funds and proper utilization with returns are the major challenges to Nepalese commercial banks. The challenges are arises in financial institutions about proper utilization of resources.

The need of deposit collection &mobilization for economic development of a country is no more to question. But they are facing an acute problem of resources mobilization. There are 27 commercial banks in Nepal,which are very much considered to be vital financial institution to mobilize domestic resources. Under the prevalence of these situations the study has try to deal with following problems.

i. What is the composition of depositof NABIL Bank and NIBL Bank?
ii. What isthe trend and growth of deposit and mobilization of selected commercial banks?
iii. What are the areas of utilization of fund?

iv. What is the relationship between deposit and investment performance of banks?

1.3 Purpose of the study

The basic objective of the study is to examine the deposit collection and mobilization of two selected commercial banks. The specific objectives of the study are:

i. To identify the major composition of deposit.
ii. To measures the trend & growth of deposit and mobilization in investment area.
iii. To analyze the area of utilization of fund.
iv. To analyze the relationship between deposit and investment performance of banks.

1.4Significance of the study

Banks and other financial institutions play important role to increase economic standard for the development of the country. Economic development becomes slow if there are incomplete and unfair banking facilities. Especially commercial banks provide different economic and technical facilities to the people who involve in business activities. Commercial banks plays major role in collection of scattered small savings form depositors and transfer these funds into productive sectors for the economic development.

Mainly this study covers the deposit and credit position of commercial banks, so it helps to reveal the financial position of banks and study occupies an important role in the series of the studies on commercial banks. The significances of the study are:

i. Important to know about the composition of deposit of banks.
ii. Important to know trend and growth of deposit of commercial banks.
iii. Important to know how well the bank is utilizing its deposits.
iv. Important to policy formulator and also be useful for academic professionals, students particularly those involves in commerce, charted accountants and financial institutions to formulate policies and plans on the basis of performance of their bank and comparison with other banks.
v. Important to management party of selected banks for the evaluation of the performance of their bank and comparison with other banks.

vi. Important for the investors, customers (depositors, loan takers) and personnel of bank to take various decisions regarding deposits and loan advances.

1.5 Limitations of study

This study is conducted for the partial fulfillment of Master of Business Studies and prepared within time constraints which will weaken adequacy of the study. Whereas, researcher try to keep the report more feasible, accurate and fulfill even there are some limitations. These limitations can be point out in the following points:

i. The study is based on only secondary data.
ii. There are in total, 27 commercial banks in Nepal but only 2 commercial banks are selected. The sampled banks are NABIL bank and Nepal Investment bank. So, conclusion may not generalize as a whole.
iii. The study covers the data of only five fiscal years i.e. from fiscal year 2070/71 to 2074/75.
iv. This research used only the selective tools for analysis and interpretation of data.

1.6 Chapter plan

The study has been classified into five chapters. The titles of each of these parts are follows:

Chapter I: Introduction

The first chapter includes various aspects of present study like Background of the Study, Statement of problem, objective of the Study, Significance of the study and Limitation of study.

Chapter II: Review of literature

The second chapter deals with the study of related books, and research work which are already published and conducted by different experts and researcher in the field of financial mobilization.

Chapter III: Methodology

The third chapter deals research methodology process such as, research design, nature and source of data, population and sampling of the study, methods tools of analysis of data viz. quantitative and qualitative tools and at last definition of key terms.

Chapter IV:Results

The fourth chapter introduces the main aspect of the study. It deals with presentation of data with different statistical and financial tools, and findings of the study.

Chapter V:Conclusions

The fifth chapter presents discussion, conclusion and implication.

CHAPTER-II
LITERATURE REVIEW

This chapter complies with reviewing the literature which are relevance with my research topics. It has focused to identify the content validity and context validity through reviewed the literature. The research methodology justified by previous research work.

2.1 Conceptual review

2.1.1 Historical development of bank

The word "bank" is commonly used in the sense of commercial bank. Establishment and development history of bank was not originated in the world at the same time. The word "Bank" derives from the Italian word 'Banco' used during the renaissance by Florentine bankers, who used to make their transactions above a desk covered by a green table cloth. It referred to a bench for keeping, lending, and exchanging of money or coins in the market place by money lenders and money changers. According to Chadakya's economies, "there was an effective team of business banker at 2000 B.C. in Babylonia which accepts deposits and provide Credit facility". Bank of Venice established in 1157 is the first commercial bank in the world". However, there are traces of banking activity even in ancient times.

A bank refers to the financial institutions that accepts deposit and channels the money into lending activities. Banks are one of the most important financial institutions in the field of economy. Banks perform different monetary transactions. It collects deposit from savers and lends this fund to the investors. The difference between borrowing and lending makes profit to them. Nepal Bank Limited established on 30th Kartik 1994 B.S. is the first commercial bank of Nepal. The financial institutions of Nepal can be broadly classified into four classes: 'A' class commercial banks, 'B' class development banks, 'C' class finance companies and 'D' class micro-credit development banks and cooperative institutions. After observing recent data, there are altogether 28 Commercial Banks, 36 Development Banks, 25 Finance Companies, and 46 Micro-credit Development Banks. Nepal Rastra Bank is the central bank of Nepal, which was established in 2013 B.S. under the Nepal Rastra Bank Act 2012 (NRB, 2074/75). Central Bank of the country is empowered by the Nepal Rastra Bank Act to regulate, monitor and control the entire banking activities in the economy.

Commercial banks are established to improve people's economic welfare and facility, to provide loan to the agriculture, industry and commerce and to offer banking services to the people and the country. Commercial bank has been playing a great role for the economic development of the nation directly or indirectly. Commercial banks are also known as the life blood for the development of a country. The commercial banks are those which pull together the saving of the community and arranged for their productive use. Bank of Venice established in 1157 is the first commercial bank in the world. In the beginning, commercial bank's functions were confined to accepting deposit and giving loans. However, their functions have now increased manifold. Nabil bank was established as a first joint venture bank in Nepal with Dubai bank Ltd on 12th July 1984 under a technical service agreement. Commercial banks are classified as class 'A' financial institutions that provides various financial service, such as accepting deposits and issuing loans. Commercial bank customers can take advantage of a range of investment products that commercial banks offer like saving accounts and certificates of deposit. So commercial bank is new road in the banking history of Nepal. Nepal Rastra Bank has increased the minimum paid up capital of Class A financial institutions to Rs 8 billion in the fiscal year 2015/16.

Today many institutions are involved in banking activities like NGOs and International Non-Government Organizations (INGOs) are also participating in banking activities. This study is concerned with two commercial banks of Nepal, the brief introduction of these banks are done here.

2.1.2 Profiles of the banks under study

There are 28 commercial banks in Nepal (NRB, 2074/75) but it is not possible to cover all the banks in the study. So only two commercial banks are chosen which represent all the commercial banks of Nepal. So the study has analyzed financial statement of the chosen banks. The selected banks for the study are as follows:

Nabil Bank Ltd (NABIL)

Nabil Bank Limited is the first private sector bank in Nepal established in 12th July 1984 under a technical service agreement. The bank was set up in joint venture with foreign partner then Dubai Bank Limited and local partner institutions Nepal Industrial Development Corporation, Rastriya Beema Sansthan Ltd. and Nepal Stock Exchange Ltd. on 12th July 1984 under a technical service agreement. Nabil bank was incorporated with the objective of extending international standard modern banking services to various sectors of the society. It was earlier known as Nepal Arab Bank Ltd. It has its head office located at Nabil Center, Durbarmarg Kathmandu. It has the largest staff among private commercial banks of Nepal. Nabil bank is one of the reputed banks not only in Nepal but all over the world since most of the international financial transactions are performed by it (NABIL, homepage).

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Share ownership of Nabil Bank is as below.

Ownership	**Percent (%)**
1. Local ownership	50%
1.1 Government of Nepal	-
1.2 “Ka” class licensed institutions	-
1.3 Other licensed institutions	-
1.4 Other entities	9.67%
1.5 General public	30%
1.6 Others (Promoter individuals)	10.33%
2. Foreign ownership	50%
Total	**100%**

Source: Annual report 2017/18

Vision

The visionof bank is, to be a bank for all across all geopolitical zones and socioeconomic stratums of the nation that can provide myriads of financial solutions and create values for all our stakeholders, to stand in the community with our economic and civic roles. We look forward to emerging as a first rate bank across all stratums of the nation.

Mission

The mission of bank is, to provide all that Nabil is driven by the spirit for realizing those visionary aspirations. With that end in view, we work in partnership with the rest of our stakeholders and community at large.

Nepal Investment Bank Ltd (NIBL)

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one the largest banking group in the world.

With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessman, had acquired on April 2002 the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd. The name of bank has been changed to Nepal Investment Bank Ltd. upon approval of bank’s Annual General Meeting, Nepal Rasta Bank and Company Registar’s Office. NIBL has achieved the bank of the year award for four times by The Banker Magazine. NIBL serves its expanding clientele base with a network of 66 branch offices 4 extension counters and 8 revenue collection counters, 98 ATM machines. At July 2017, NIBL has a balance sheet of Rs. 145 billion. It has its head office located at Durbarmarg Kathmandu (NIBL, homepage)

Share ownership of NIBL is as below.

Ownership	Percent (%)
1. Local ownership	100%
1.1 Government of Nepal	-
1.2 “Ka” class licensed institutions	-
1.3 Other licensed institutions	18.95%
1.4 Other entities	43.40%
1.5 General Public	31.02%
1.6 Others (Promoter Individuals)	6.63%
2. Foreign Ownership	-
Total	**100%**

Source: Annual Report 2017/18

Vision

Thevision of the bank is to be the bank for all across the geopolitical zones and socioeconomic strategy of the nation which provide myriads of financial solutions and create values for all our stakeholders, to stand in the community with our economic and civic roles.

Mission

The mission of the bank is, to be the lending Nepali bank, delivering world class service through the blending of state-of-the-art technology and visionary management in partnership with competent and committed staff, to achieve sound financial health with sustainable value addition to all our stakeholders. We are committed to do this mission while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance.

2.1.3 Concept of commercial bank

Commercial banks are those financial institutions, which deals in accepting deposits from persons and institutions and giving loans against securities. They provide working capital needs of trade, industry and even to agriculture sectors. Moreover commercial banks also provide technical and administrative assistance to industries, trades and business enterprises.

Under the Commercial Bank Act 1947, the commercial banks are those banks which provide short term and long term debts whenever necessary for trade and commerce.

They accept deposits from the public and grant loans in different form, purchase and discount the bill for exchange, promissory notes, and foreign currency exchange.

A commercial bank is one which exchange money, accepts deposit, grants loan and performs commercial banking functions and which is not a bank meant for co-operative, agriculture, industry of for such specific purpose **.**(Nepal Commercial Bank Act 1974**)**.

The American institute of banking has laid down the four major functions of the commercial bank such as receiving and handling payments for its clients, making loan and investments and creating money by extension of credit. (American Institute of Banking, 1972).

Meanwhile, under the free enterprises system like USA, the interest of the nation as well as that of the individual stockholders are supposed to be best served by vigorously profit seeking. But profit is a sole objective of an enterprise and it should not be evaluated just on the basis of the profit earned. Neither the bank nor the community will be best served if the banker unreasonably sacrifices the safety of his fund or liquidity of his bank is an effort to increase income. (American institute of banking, 1972).

2.1.3.1 Policy guidelines on the establishment of the commercial banks

Receiving applications for the establishment of commercial banks has been stopped since 1995. Visualizing that such an administrative restriction is not in conformity with the liberal financial policy, the following policy guidelines have been made public on 16th May 2015:

Paid up capital

To establish a commercial bank of national level having its office in Kathmandu, joint investment with foreign bank and financial institution or a management contract at least for 3 years with such institutions is required. The paid up capital of such bank must be at Rs. 8000 million.

Share capital

In general, the share of commercial banks will be available for the promoters (70 percent) and general public (30 percent). The foreign banks and financial institutions could have a maximum of 67 % share in investment on the commercial banks of national level. In order to provide adequate opportunity for investment to the Nepali promoters in national level banks, only 20 % of total share capital will be made available to general public on the condition that the foreign bank and financial institutions are going to acquire 50% of the total share. In case of commercial banks to be established outside Kathmandu Valley, share investment of promoters and general public should stand at 70% and 30% respectively.

Legal procedure

Banks to be established with foreign promoters, participation have also to be registered fulfilling all the legal processes prescribed by the prevalent Nepal laws.

Banks already in operation

Banks that is already in operation and those who have already acquired letter of intent before the enforcement of these provisions have to bring their capital level within 4 years, i.e. by 16 July 2015, as per the recently declared provision. Such increase in the capital should be at a rate of 10 percent should be at the minimum.

Concerning up gradation

Banks to be established outside Kathmandu Valley could be allowed to operate throughout the Kingdom including Kathmandu Valley only on the condition that they have brought their paid up capital level to Rs. 8000 million and also fulfilled other prescribed conditions. Until and unless such banks do not get license to operate throughout the kingdom, they will not be allowed to open any office in Kathmandu Valley.

Promoters share payment procedure

Of the total committed share capital, the promoters has to deposit in NRB an amount equal to 20% along with the application and another 30% at the time of receiving the letter of intent on an interest free basis. The bank should put into operation within one year of receiving the letter of intent. The promoters have to pay fully the remaining balance of committed total share capital before the bank comes into operation. Normally, within 4 months from the date of filling the application, NRB should give its decision for the establishment of the bank whether it is in favor or against it. If it declines to issue license, it has to inform in writing with reasons to the concerned body.

Promoter qualification and experience

Action on the application from promoters will not be initiated if it is proved that their collateral has been put on auction by the bank and financial institutions as a result of non-payment of loans in the past, who have not cleared such loans or those in the black list of the Credit Information Bureau and 5 years have not elapsed from the date of the removal of their name from such list. The application will be deemed automatically cancelled irrespective of it being on any stage of process for license issuance if the above events are proved. Of the total promoters, one-third should be its chartered accountant or at least a graduate of Tribhuvan University or recognized institutions with major in economics or accountancy, finance, law, banking or statistics. Likewise, one-fourth promoters should have the work experience of bank or financial institution or similar nature.

Promoters share

Promoter Group's share can be disposed or transferred only on the condition that the bank has been brought in operation; the share allotted to the general public has been floated in the market and after completion of 3 years from the date it has been registered in the Stock Exchange. But before the disposal of such shares it is mandatory to get approval from NRB. The share allotted to general public has to be issued and sold within 3 years from the date the bank cannot issue bonus shares or declare and distribute dividends, shareholders of the promoters group and their family members cannot have access to loans or facilities from the same institution.

Branch expansion

The commercial banks established in national level will initially be authorized to open a main branch office in Kathmandu Valley. They will be authorized to open one more branch in Kathmandu Valley only after they have opened two branches outside the Kathmandu Valley.

Disqualify from becoming director

An individual who is already serving as a director in one of the bank or financial institutions licensed by NRB cannot be considered eligible to become the director in other banks or financial institutions. Also, stock brokers, market makers and also an individual and institution involved as an auditor of the bank and institutions carrying on financial transactions cannot be a director.

2.1.3.2 Concept of deposit

Deposit is the sum of money lodged with a bank, discount house or other financial institution.Deposit is nothing more than the assets of an individual which is given to the bank for safe-keeping with an obligation to get something (interest) from it. To a bank these deposits are liabilities. Commercial bank Act 2031 (1974) defines “Deposits” as the amount deposited in a current, savings or fixed accounts of a bank or financial institution (Bhandari, 2014). The deposits are subject to withdrawals by means of cheque on a short notice by customers. There are several restrictions on these deposits, regarding the amount of deposit, number of withdrawal etc. These are considered more as investments and hence they earn some interest. The rate of interest varies depending on the nature of the deposits. The bank attracts deposits from customers by offering different rates of interest and different kinds of facilities. Though the bank plays an important role in influencing the customer to save and open deposit accounts with it, it is ultimately the customer who decides whether s/he should deposit his surplus funds in current deposit a/c, saving deposits or fixed/time deposit a/c.

Bank deposits arise in two ways. When the banker receives cash, it credits the customer’s account, it is known as a primary or a simple deposit. People deposit cash in the banking system and thereby convert one form of money, cash, into another form, bank money. They prefer to keep their money in deposit accounts and issue cheques against them to their creditors. Deposits also arise when customers are granted accommodation in the form of loans. When a bank grants a loan to a customer it doesn’t usually pay cash but simply credits the customer's account with the amount of loan. Of course, there is nothing that prevents the borrower from withdrawing the entire amount of borrowing in cash but quite often s/he retains the amount with the bank as deposit.

2.1.3.3 Types of deposit

There are different types of deposits that used by the Bank. But for this study, major five types of deposit are taken. They are described as below.

Current deposit

A current deposit is a running account with amounts being paid into and drawn out of the account continuously. These accounts are also called demand deposits or demand liabilities since the banker is under an obligation to pay money in such deposits on demand. The account never becomes time barred, because the limitation does not run until a demand is made by the customer on the bank for the payment of deposit. These accounts are generally opened by business houses, public institutions, corporate bodies and other organization whose banking transactions are numerous and frequent. As these deposits are payable on demand, banker is obliged to keep larger cash reserves than are needed in the case of fixed and savings deposits. This type of account is just a facility offered by the bank to its customers. So such deposit doesn't yield any interest return.

The deposit in which an amount is immediately paid at the time of any account holder's demand is called demand deposit. Its transaction is continual and a very small portion of such deposit can be invested in the productive sector. Though the bank cannot gain significant profit by investing it in new sector, this is one of the facilities given to the customer. Therefore, the bank doesn't give interest on this account. For this study this types of deposit is not suitable.

Saving deposit

According to Commercial Bank Act 2031 (1974) saving account means "An account of amounts deposited in a bank for savings purposes." The saving deposit bears the features of both of the current and fixed period's deposits. Saving accounts are mainly meant for non-trading customers who have some potential for saving and who don't have numerous transactions entering their account. While opening the account the minimum compensating balance differ according to the banks rule. Similarly there is also divergence as to how much amount of money can be withdrawn. But if the customers want to withdraw more money from the bank which is not allowed by it but if s/he gives pre-information to the banks, s/he can withdraw more money. The bank fixes the minimum and maximum amount of withdraw able through a cheque from this deposit. If the bank goes into liquidation, priority is given to the saving deposit than current and fixed deposits while repaying the liabilities.

Fixed deposit

Fixed deposits constitute a very important resource for banks, as bank need not keep greater reserve in respect of such deposits. Under the commercial Bank Act 2031 (1974), "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 the account for a fixed period. Usually, only the person or institution who wants to gain more interest opens such type of account. High interest rate is paid to this deposit as compare to saving deposits. The bank and the customer can take benefit from this deposit. The bank invests this money on the productive sector and gains profit and the customer too can made his financial transaction stronger by getting more interest from this deposit. The principal amount with interest must be returned to the customer after expiry of fixed time.

Call deposit

A call deposit is a bank deposit for investment funds that offers the advantages of both a savings and a current account. Like a current account, a call deposit has no fixed deposit period, provides instant access to funds and allows unlimited withdrawals and deposits. The call deposit also provides the benefits of a savings deposit through the accrual of interest. In this way call deposit is the hybrid of saving deposit and current deposit.

Margin deposit

A margin deposit is a type of security common in the trading of financial instruments, including foreign exchange and futures and options contracts. A margin deposit is used as a guarantee that the contract in question will be fulfilled. It is made with a broker or clearing house entity and is normally made via a monetary deposit or with securities. The margin deposit is used as collateral on a financial transaction to cover a portion or all of counterparty's credit risk, ensuring that this party meets its payment obligations. In the foreign exchange markets, margin deposits are a very common element in transactions such as futures and forward contracts. Their purpose is to cover the issuer's risk in case there are adverse price movements in the market or the buyer defaults.

In England these deposits are repayable subject to a period of notice and hence known as time deposit or time liabilities means that these are withdraw able subject to a period of notice and not on demand (Radhaswamy&VasuDevan, 1979). Fixed deposit receipt is not transferable by endorsement and certainly not negotiable. However the debt covered by the fixed deposit receipts can be assigned. Bank generally gives loans up to 90% of the deposit against the security of the deposit. For this bank charge some interest higher than the interest allowed on the deposit.

Deposit arises from saving. An individual's income equals consumption plus saving. S/he deposits the saved part of income in the bank and gets interest from it. Banks in turn lend this money and earn profit by charging high interest rates. The borrowers from banks, invests this fund in productive sectors yielding more return than the interest on borrowed fund. This investment leads to create new employment opportunity in the economy. Ultimately due to new employment, the purchasing power of the economy increases and finally GDP and growth of the economy occurs. It means that the deposit has very important role in the economy. There is a direct relationship between deposit of banks and the investment in the economy. If the volume of deposit is low, the investment in the economy also lags behind due to lack of resources. The deposit of banks is the accumulated capital which can directly be invested. There is a great need of such deposit in the developing countries. Deposit includes the idle money of the public, bank being the inter-mediator to accept this sort of money and help to canalize this in productive sector. So the importance of banks and financial intermediaries is larger in present context.

2.1.3.4 Mobilization of deposit

Banks utilize its funds in suitable area and right sector. Banks cannot achieve its goals until and unless it mobilizes its deposits in right sectors and by performing different activities. Much kind of activities and other thing can origin for the purpose of receiving invest from the bank. But bank should separate the useful and profitable sector for mobilization its deposits. Banks being only a financial intermediary will not be able to make any profit unless they has to pay interest on deposits, meet establishment expenses, meet liquidity of cash balance, and yet allow them some balance from out of which they can build reserve and pay dividend to the shareholder.

As commercial bank they are expected to make profit. If there is no profit, there will be adverse criticism against public sector banking, both in and outside the parliamentwhen these banks are asked to open new branches in areas which do not allow profits for years, or asked to grant loan to the priority sectors such as small industries and agriculture with a high incidence of bad debts, there is need for counter balancing profit from elsewhere. Therefore, these banks willhave to show an ascending order of profits in order to ensure growth with stability. For this purpose the bank will have to allocate resources to different segments in such a manner which can ensure adequate profitability while at the same time responding to policies laid down in accordance with national objectives.

Therefore, banks should mobilize its deposits in suitable and profitable banking activities and right sector. Generally bank has mobilized its deposits in the following activities.

a. Liquid funds

A bank has kept a volume of amount in liquid funds. The funds have so many responsibilities in banking activities. Liquid funds have covered following transactions.

i. Cash in hand
ii. Balance with NRB
iii. Balance with domestic bank
iv. Call money

b. Investment

Bank invests its fund in different banking activities and different fields. Many types of fields are shown in market for investment. But banks invest its funds in profitable and safety activities. Bank invests its fund in the following titles:

i. Share and debenture
ii. Government securities
iii. Joint-venture

c. Loan and advances

Banks mobilize its funds or deposits by providing different types of loan and advances to customers, by charging fixed interest. Different types of loan and advances are:

i. To government enterprises
ii. To public enterprises
iii. To private enterprises

Bank manages the different types of loans i.e. business loan and retail loan to priority area.

i. **Business loan**

Businesses require an adequate amount of capital to fund startup expenses or pay for expansions. As such, companies take out business loans to gain the financial assistance they need. A business loan is debt that the company is obligated to repay according to the loan's terms and conditions. According to the U.S. Small Business Administration, before approaching a lender for a loan, it is imperative for the business owners to understand how loans work and what the lender will want to see from the owner. A business loan is borrowed capital that companies apply toward expenses that they are unable to pay for themselves. Some business owners use business loans to pay for salaries and wages until their new company gets off the ground, while other companies put borrowed funds toward office supplies, inventory or business projects.

ii. **Retail loan**

A retail loan is similar to a mortgage loan acquired to buy a real estate property. The primary difference is that mortgage loan secures a residence, whereas a retail loan secures a commercial retail property. Banks and private investors can supply funding for a retail location, such as a stand-alone retail store or a strip mall. Various details play a role in the approval process, and lenders use numerous factors to determine the interest rate on a commercial retail loan.

d. Fixed assets

Land and buildings are essential for the establishment of bank. Bank's funds are used in buying of furniture, vehicle, computer, and other concerned instrument, which are related to banking activities. Bank cannot take direct gain from these assets, but bank should buy it.

e. Administrative and miscellaneous expenses

Bank should manage funds for administrative and other miscellaneous expenses. The administrative expenses are:

i. Salary of Employees
ii. Allowances
iii. Pension
iv. Advertisement
v. Stationery
vi. Provident Fund
vii. Rent
viii. Income tax
ix. Donation
x. Insurance
xi. Tour expenses

xii. Commission

The miscellaneous expenses are

i. To distribute the dividend to shareholders
ii. To bear the loss on sale and purchase of banking assets
iii. Maintenance expenses
iv. To pay the interest on borrowed amount
v. Reserve fund

In this way, bank mobilizes its deposits by performing different activities to achieve its desired goals i.e. earning profit. Banks are able to earn sufficient profit by mobilizing its deposits in proper way into the different profitable sector. It can utilize its collected deposits as well as own funds in all banking activities by performing effective deposit mobilization procedure.

2.1.3.5 Loan loss provision

The major asset for the bank is loan and advances. This is the most risky assets item that needs crucial assessment. Banks collect funds in the form of capital, deposits, borrowing, etc. It mobilizes these funds to generate certain returns by giving loans and advances to the users of money to invest in various alternatives. Bank gives loan and advances in high volume from which higher interest is generated as well as there is high risk. A significant part of the banks income is generated from the lending activities. Basically there are two types of loan.

1. Performing loan

Performing loan is the loan in which the interest is paid timely or overdue up to 90days. It is also known as good loan or pass loan.

2. Non-performingloan

The loan which goes beyond the due date of 3 months falls under NPL. There are three types of Non -Performing Loan.

Sub-Standard NPL: Loans overdue by more than 3 months up to 6 months.
Doubtful NPL: Loans overdue by more than 6 months up to 1year.
Loss Loan: Loans overdue by more than 1year

Table 2.1: **Loan classification and provision as per NRB directives:**

Classification Of Loans	Category	Duration overdue	Loan loss Provision
Performing loan	Standard pass/good	Upto 1 month	1%
	Watch list	1 to 3 months	5%
Non-performing Loan	Sub-standard	3 to 6 months	25%
	Doubtful	6 months to1year	50%
	Loss loans	More than 1year	100%

Financial institutions have to be maintained the provision as per classification of loan. It measures the quality of assets in reference of loan and advances and contraction of profit as well. Quality of assets is decreases, when the credit of financial institutions diversifies into NPA. Such losses, from quality of assets, can be compensated by debiting the profit and can be harmonized the financial strength of those financial institutions.

2.1.3.6 Criteria for lending

For the survival and enlargement of the bank it must follows well setup established criteria for providing loan to the borrowers. According to the Dahal B&S the bank has to consider application 5Cs while screening a loan, that 5Cs are as follows;

Character

Character refers to the personal traits of the borrowers which are very important for lending decision. Good character is indicated by the honesty of the borrower. It is analysis of the applicant as to his ability to meet the obligation put forth by the lending institution. So the character of the borrower must be studied to know the intention to pay loan, their practice to repay loan, creditworthiness, habit to use acquire funds, past trend regarding the receipt and payment of loan are to be reviewed.

Capacity

Capacity of the borrower means his business acumen and managerial ability to deal with men and matters so that he would make effective and profitable use of funds and thereby able to repay the loans. His legal capacity to borrow money and the quality of management must analyze to grants loan. Qualification, experience, past dealing of the part in bank and enquires the capacity of the borrower which must be checked out.

Capital

Capital refers the fund invested in the business by the borrower. More capital means most of the assets are acquired from own funds and the more of their stake which is the safe part of the bank. The business started with negligible capital lacks efficient management. The bank provides loan only if the borrower has enough capital.

Condition

Condition refers to the general economic condition beyond the control of the borrower that affects the borrower's business. It is security, political and social conditions under which the business has to run. Bank grants loan only if the lending official feels the conditions are favorable.

Collateral

Another provision for granting loan is the government security paper. By offering the fixed deposit receipt, the depositor can collect loan up to 90% of its receipt value. The bank also provides loan against the security of shares of various recognized financial institution such as public enterprises, companies etc.

2.2 Review of previous article

Bajracharya (1995), in his article, "Monetary Policy and Deposit Mobilization in Nepal" that the mobilization of domestic saving is one of the prime objectives of monetary policy in Nepal. For this purpose, commercial banks stood as the active and vital financial intermediary for generating resources in form of deposit of the investors in different aspects of the economy.

The study summarizes that commercial banks only can play an important role to mobilize the national savings. Now a day other financial institutions like finance companies, cooperative societies have been established actively to mobilize deposits in the proper sectors so that return can be ensured from the investment.

Sapkota (2000), conducted a study on A Study on Fund Mobilizing Policy of Standard Chartered Bank Ltd in Comparison to Nepal Bangladesh Bank Ltd and Himalayan Bank Ltd having main objectives to examine the fund mobilizing policy adopted by three joint venture banks viz. SCBNL, NBBL and HBL and the way these banks mobilized their funds during five year study period i.e. from 1996/97 to 1999/2000.

The study found the overall condition of SCBNL seems in satisfactory position in comparison to NBBL and HBL. These three banks are recommended to increase cash and bank balance to meet the need of investment and demand of loan and advances. And banks are to be investing its funds in the purchase of shares and debentures of other financial, non-financial companies, hotels and government companies. Sapkota has not explained about the risk ratios which have to be faced by these joint venture banks.

Pradhan (2005) in the article, "Deposit Mobilization, Its Problem and Prospects" has presented the following problems in the context of Nepal:

i. People do not have knowledge and proper education for saving in institutional manner. They so now know financial organizational process, withdrawal system, depositing system etc.
ii. Financial institutions do not want to operate and provide their services in rural areas.
iii. The study has also recommended about how to mobilize the deposit collection by the financial institutions by rendering their services in rural areas, by adding various services.
iv. By operating rural banking programmers and unit.
v. Nepal Rastra Bank must organize training programmers to develop the skilled human resources.
vi. By spreading a numbers of co-operative societies to develop mini banking services and improves the habits of public on deposit collection to the rural areas.

Poudel (2010), conducted a study on "Banking the Future on Competition" has presented the below results. Commercial banks are establishing and providing their services in urban areas only. They do not have interest to establish in rural areas. Only the branch of Nepal Bank Ltd. and RastriyaBanijya Bank Ltd. are running in those sectors.

i. Commercial banks are charging higher interest rate on lending
ii. They have maximum tax concession
iii. They do not properly analyze the system

According to the study, “Due to the lack of investment avenues, banks are tempted to invest without proper credit appraisal and on personal guarantee, whose negative side effects would show colors only after four or five years.” He has further included that private commercial banks have mushroomed only in urban areas where large volume of banking transaction and activities are possible.

Poudel (2014) conducted a study on “Problem & prospects of Commercial bank in relation to deposit collection & mobilization” she has mention that the commercial bank in Nepal are doing well but they are not giving satisfactory result due to some internal and external factor. A deposit is indeed the major organ of commercial banks. Higher the deposit higher will be the capacity of investment and higher will be the chance of mobilization of fund and make the satisfactory profit for the long term sustainability of an organization. In her study she has mention that if the commercial bank does not adopt the sound investment policy, it will be greater trouble in future in the collection of loan. Bank should invest its fund in various portfolios after proper study of the project. It keeps the bank far from the problem of default of payment that certainly keep the bank safe from the bankruptcy. Diversification of investment is very much important for banks because bank uses the money of people for the benefits of the depositors and the benefits of its own.

Miss Poudel has recommended to follow the liberal lending policy. So more percentage of deposit can be invested to different profitable sector as well as towards loan and advance .she further recommended to commercial bank to seek for new investment opportunities rather than investing in identified area .commercial bank should establish the efficient R&D department for this purpose.

Bhandari (2014) conducted a study on, “Deposit collection and loan distribution of Ujwal Saving & Credit Cooperative Society Ltd” found that the total deposit volume has been increasing trend shows that the cooperative is better deposit collection policy but the cooperative is putting additional effort and aggressively. While analyzing each type of saving deposit of the cooperative, it is found that is normal and ujwal saving is better deposit collection. Composition of different assets like in every financial sector remained largely in the loan and advance in the last five financial years. This composition included by cash, bank balance, loan and advance, fixed assets is fluctuating over the study period and share investment is equal in study period. Growth ratio, total deposit, total loan and advance, total assets and share capital are calculated and found that there is no consistency in the growth. The trend of growth seems fluctuating. While analyzing the correlation efficient between deposit and loan, it is found that there is significant +ve relationship between deposit and loan during the study period.

Karmacharya (2015) conducted a study on, “A Study on the Deposit Mobilization by the Joint Venture Banks”has mentioned that the bank has successfully maintained its liquid asset position but could not mobilize its resources efficiently. The report has concluded that Nepal Bank’s utilization side is weak as compare to the collection of resources. He suggested for extending its branches, so NBL’s deposit collection and also long-term as well as short-term credit may increase.

Mahesh (2016) has conducted a study on, “A Comparative Study on Financial Performance of NABIL Bank Ltd and Nepal Bangladesh Bank Ltd”. The main objective of the study is to know the financial condition, financial performance, financial growth, earning per share, dividend per share, efficiency of utilizing the assets and trend of net profit of NABIL and NBBL. The major findings of the study are overall liquidity position of NBBL was stronger than that of NABIL. Analyzing the activity or turnover of both banks, NBBL mobilized its deposits more on loan and advances whereas NABIL mobilized its deposits more prudently and efficiently in generating income. Similarly, capital adequacy position of NABIL was found to be better than that of NBBL. Regarding the capital structure of the banks, NBBL was found to have adopted high risk high return strategy as suggested by its highly leveraged i.e. debt dominated. According to the profitability analysis, NABIL was found sound profitability due to its higher ratio. Also, other indicators as earning per share, dividend per share and market price per share were found sharply higher in NABIL which implies positive attitude of shareholders towards NABIL. NABIL should keep only the reasonable amount of liquidity, which will save the bank from creating low return and NBBL should improve its capital adequacy by investing the assets and deposits in highly returnable sector. NABIL should invest its deposit in profit generating sectors.

2.3 Research gap

Research gap refers to the gap between previous research and this research. Many research studies have been conducted by the different student, expert and researcher about deposit collection & mobilization of different financial institutions. The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make this study meaningful and purposeful. Since deposit collection and mobilization procedure is crucial current issue in Nepalese banking sector, it seems that there are limited research conducted about Deposit Collection & Mobilization of Commercial Banks in Nepal. By observing the objectives and findings of above mentioned studies, it is found that different studies have different area of coverage. But no one has considered credit-deposit ratio, maturity mismatch analysis etc. available research reports are focused to some part of the country and not conducted rigorously.

Despite the fact that Deposit Collection & Mobilization is current and urgent issue among Nepalese community, the NRB and commercial banks have failed to main-streamline it. No rigorous study has been made at the very moment. The tools used for analysis have been limited to rational analysis. So this study tries to explore the deposit collection & mobilization patterns in banking industry. Furthermore this study will be helpful to the interested groups. At least this study is different from the above in-terms of sample companies, data presentation as well as statistical used for interpretation and analysis of data.

Finally, the sample taken from the research purpose are unique that has hardly taken in previous study in a single batch for study purpose. The study focused overall deposit collection and mobilization and other financial indicators that may or may not affect the financial performance of commercial bank. So, this study will be fruitful to those person, scholar, students, civil society, stakeholders, businessman, and government for academic as well as policy perspective.

CHAPTER-III
METHODOLOGY

This chapter basically describes the research design, population and samples, sources of data, data collection and processing procedure, data presentation tools and techniques. It is basically a survey based descriptive study.

3.1 Research design

The research examines the facts and postulates in certain frameworks on details and supplies the important information on subject matter, summary of the study, major findings of the study, implications, conclusion etc. are the most significant information among them, they are derived with the help of some financial and statistical tools were adapted to evaluate the deposit collection and mobilization of Commercial Banks viz. Nabil and NIBL in consideration not only to research about them but also to facilitate among them.

3.2 Population and sample

Under the study of deposit mobilization analysis of Nepalese commercial banks, the total number of commercial banks including domestic and joint- ventures banks operating in Nepal is the population. There are altogether 27 commercial banks functioning all over the Nepal (NRB notice 2076). Among all the banks which are presented above on, only two banks, which are similar in capital, profits etc. are taken as a sample by using convenience sampling. They are:

Nabil Bank Ltd. (NABIL)

Nepal Investment Bank Ltd (NIBL)

These banks are compared as per deposit collection and mobilization procedure, that they are adopting to mobilize their collected funds as well as own funds.

3.3 Sources of data

The nature of data for the study is based on quantitative and secondary sources are used for main sources of data. The secondary sources of data collections are those that have been used from published on used by someone previously. The secondary sources of data are Balance Sheet, Profit & Loss account and literature publication of the concerned banks. The NEPSE report of the concerned bank has furnished some important data to this research work. Some supplementary data and information have been collected from the authoritative sources like Nepal Rastra Bank, Nepal Stock Exchange Limited, Security Exchange Board, Economic Survey, National Planning Commission, different journals, magazines and other published and unpublished reports documented by the authorities.

In order to fulfill the objectives of this research work, all the secondary data are compiled, processed and tabulated in time series. And to judge the reliability of data provided by the banks and other sources, they were compiled with the annual reports of auditors. Formal and informal talks to the concerned head of the department of the bank were also helpful to obtain the additional information of the related problem.

3.4 Data collection and processing procedure

Data processing converts data into information or knowledge. This research study has been designed within the framework of descriptive and analytical research design. Descriptive research design simply describes facts explored by the available data. Data obtained from different source was processed manually by using computer program like Microsoft Word, MS Excel. Processed has shown in table and figures. To analyze the collected data, some financial, mathematical and statistical tools are used as per requirements.

3.5 Data analysis tools and techniques

In this study various financial, statistical and accounting tools have been used. These tools make the analysis more effective, convenience, reliable and authentic.
The various results obtained with the help of financial, accounting and statistical tools are tabulated under different headings. Then they are compared with each other to interpret the results. Two kinds of tools have been used to achieve the certain goals.

1. Financial Tools
2. Statistical Tools

3.5.1. Financial tools

Financial tools basically help to identify the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and the profit and loss account.

Ratio analysis

Ratio analysis is the powerful tool of financial analysis. A ratio is defined as the indicated quotient of two mathematical expressions the relationship between two or more things. (Merriam, 1975)In financial analysis, a ratio is used as a benchmark for evaluating the financial position and performance of a firm. The relationship between two accounting figure expressed mathematically, is known as a financial ratio or simply a ratio. An accounting figure conveys meaning when it is related to some relevant information (Pandey, 1975).

A ratio is a mathematical relationship between two variables. It is significant for financial analysis. It also helps us to predict the future performance of a company based on study of ratios of earlier years (Benerjee, 1995**).**

Thus, ratio analysis is the part of whole process of analysis of financial statements of any business or industrial concerned especially to take output and credit decision. Ratio indicates a quantitative relationship, which can be, in turn, used to make a qualitative judgment. Even though there are various types of ratios to analyze and interpret the financial statement, only six types of ratios have been taken in this study, which are related to fund collection and mobilization of the banks. They are presented below:

A. Deposit ratio

Deposit is the sum of money lodged with a bank, discount house or other financial institution. Deposit is nothing more than the assets of an individual which is given to the bank for safe-keeping with an obligation to get something (interest) from it. Deposit ratio helps to measure the composition of deposit products i.e. current deposit, fixed deposit, saving deposit, call deposit and margin deposit. It also helps to know about how bank collect the deposit from different sources as a deposit products and how successfully it utilize to different sectors. Following deposit ratios are major ratios for know about composition of deposit products.

i) Fixed deposit to total deposit

This ratio is calculated to find out how successfully the selected banks are collecting their fixed deposit out of total deposit of bank for the purpose of deposit mobilization. This ratio can be calculated dividing fixed deposit by total deposit. It can be presented as,

Fixed Deposit to Total Deposit = Fixed Deposit/Total Deposit

ii)Current deposit to total deposit

This ratio is calculated to find out how successfully the selected banks are collecting their current deposit out of total deposit of bank for the purpose of deposit mobilization. This ratio can be calculated dividing current deposit by total deposit. It can be presented as,

Current Deposit to Total Deposit = Current Deposit/Total Deposit

iii) Saving deposit to total deposit

This ratio is calculated to find out how successfully the selected banks are collecting their saving deposit out of total deposit of bank for the purpose of deposit mobilization. This ratio can be calculated dividing saving deposit by total deposit. It can be presented as,

Saving Deposit to Total Deposit = Saving Deposit/Total Deposit

iv)Call deposit to total deposit

This ratio is calculated to find out how successfully the selected banks are collecting their call deposit out of total deposit of bank for the purpose of deposit mobilization. This ratio can be calculated dividing call deposit by total deposit. It can be presented as,

Call Deposit to Total Deposit = Call Deposit/Total Deposit

v) Margin deposit to total deposit

This ratio is calculated to find out how successfully the selected banks are collecting their margin deposit out of total deposit of bank for the purpose of deposit mobilization. This ratio can be calculated dividing margin deposit by total deposit. It can be presented as,

Margin Deposit to Total Deposit = Margin Deposit/Total Deposit

B. Loan and advance ratios

The deposits received by the bank are not allowed to lie idle by the bank .After keeping a certain portion of the deposits as reserves; the bank gives the balance to borrowers in the form of loans and advances. Loan and advances ratio helps to measure the composition of loan products i.e. business loan and retail loan. It also helps to know about how bank successfully utilize to different types of loan for the purpose of earning profit. Following loan and advances ratios are major ratios for know about composition of loan products.

i) Business loan to total loan and advance

This ratio is calculated to find out how successfully the selected banks are mobilizing business loan out of total loan and advances for the purpose of earning profit. This ratio can be calculated dividing business loan by total loan and advances. It can be presented as,

Business Loan to Total Loan and Advances = Business Loan/Total Loan and Advances

ii) Retail loan to total loan and advance

This ratio is calculated to find out how successfully the selected banks are mobilizing retail loan out of total loan and advances for the purpose of earning profit. This ratio can be calculated dividing retail loan by total loan and advances. It can be presented as,

Retail Loan to Total Loan and Advances = Retail Loan/Total Loan and Advances

iii) Loan and advances to total working fund ratio

The main element of total working fund is loan and advances. This ratio indicates the ability of selected banks in terms of earning high profit from loan and advances. Loan and advances to working fund ratio can be obtained dividing loan and advances amount by total working fund.

That is formulized as,

Loan and Advances to Total Working Fund = Total Loan and Advances/Total Working Fund

Where, total working fund includes total amount of assets given in balance sheet which refers to current assets, net fixed assets, total loans for development banks and other sundry assets except off balance sheet items i.e. letter of credit, letter of guarantee etc.

iv) Loan and advances to total deposit ratio

This ratio is calculated to find out how successfully the selected banks are utilizing their total collections or deposits on loan and advances for the purpose of earning profit. Greater ratio shows the better utilization of total deposits. This ratio can be obtained dividing loan and advances by total deposits, which can be shown as,

Loan and Advances to Total Deposit = Loan and Advances/Total Deposit

C. Growth ratios

The growth ratios represent how well the commercial banks are maintaining their economic and financial position. The higher ratios represent the better performance of the selected firms to calculate, check and analyze the expansion and growths of the selected banks the following growth ratios are calculated. Growth ratios are directly related to the fund mobilization and investment of those firms. For calculation of growth ratio the following formula is used

$An = Ao(1+ g)^n$

Where

An = Total amount in the year

Ao = Total amount in initial year

G = Growth rate of amount during the study period

N = Total no. of year during the study period

To examine & analyze the following growth rate are calculated in this study

i) Growth ratio of total deposits

ii) Growth ratio of total investment

iii) Growth ratio of loan and advances

3.5.2 Statistical tools

In this study, some important statistical tools have been used to present and analyze the data for achieving the objectives. Such as coefficient of correlation between different variables has been used, which are presented below:

i) Mean

ii) Karl Pearson's of Coefficient of Correlation Analysis(r)

iii) Coefficient of Variation (C.V)

iv) Standard Deviation (S.D)

i. Mean

Mean is a single value related from a group of values to represent them in some way, a value, which is supposed to stand for whole group of which it is a part, as typical of all the values in the group. (Gupta, 1992s) There are various types of mean. Arithmetic mean (AM, Simple & Weighted), median, mode, geometric mean, harmonic mean are the major types of averages. The most popular and widely used measure representing the entire data by one value is the AM. The value of the AM is obtained by adding together all the items and by dividing this total by the number of items.

Mathematically:

Arithmetic Mean (AM) is given by,

$$\mu = \frac{\Sigma X}{N}$$

Where,

μ = Arithmetic mean

∑X = Sum of all the values of the variable X

N = Number of observation

ii. Karl Pearson's coefficient of correlation analysis

This statistical tool has been used to analyze, identify and interpret the relationship between two or more variables. It interprets whether two or more variables are correlated positively or negatively. Statistical tool analyses the relationship between those variables and helps the selected banks to make appropriate investment policy regarding to profit maximization and deposit collection; fund mobilization through providing loan and advances.

For the purpose of decision-making, interpretation is based on following term:

Assumptions

If r = 1, there is positively perfect correlation between the two variables.

If r = -1, there is negatively perfect correlation between the two variables.

If r = 0, the variables are uncorrelated.

The nearer the value of r to +1, the closer will be the relationship between two variables and the value of r, the lesser will be the relation. (Bajracharya, 2057)

Karl Pearson's correlation coefficient has been used to find out the relationship between the following variables:

Coefficient of correlation between deposit and loan and advances

Correlation coefficient between deposits and loan and advances measures the degree of relationship between two variables i.e. X and Y. In this analysis, deposit is independent variables (X) and loan and advances is dependent variables (Y). The main purpose of calculating correlation coefficient is to justify whether the deposits are significantly used in proper way or not and whether there is any relationship between these two variables.

Karl Pearson's Correlation coefficient (r) can be obtained as:

Correl(X,Y) = $\sum(x-\bar{x})(y-\bar{y})/\sqrt{\sum(x-\bar{x})^2\sum(y-\bar{y})^2}$

Where, $\bar{x}$, $\bar{y}$ are the sample means.

iii. Coefficient of variation (C.V)

The coefficient of variation is the most commonly used measure of relative variation. It is used in such problems where the researcher wants to compare the variability of more than two years. Greater the C.V, the variable or conversely less consistent, less uniform, more consistent, more uniform, more stable and homogeneous. It is calculated as

$$C.V = \frac{\sigma}{\mu}$$

Where,

σ = SD of Population

μ = Population Mean

iv. Standard deviation (S.D)

The standard deviation is an important and widely used measure of dispersion. The measurement of the scatterings of the mass of figure in a series about an average is known as dispersion. The greater the amount of dispersion is the greater the standard deviation. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series; a large standard deviation means just the opposites it is denoted by the letter σ. And SD is calculated as

$$\sigma = \sqrt{\frac{\Sigma(x-\mu)^2}{N}}$$

Where,

σ = SD of Population

x = Observation

μ = Population Mean

N = Total No. of Observations

∑ = Sum of all values $(x-\mu)^2$

v. Probable error (P.E)

Probable error is a measure of error of estimate for a sample from normal distribution, it is computed by the Standard error with 0.6745. It is computed to check whether the computed correlation coefficient is significant or not. Probable Error can be computed as:

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

Where, r = Correlation coefficient between two variables

n=Number of observation

If Correlation coefficient (r) < 6P.E, the calculated correlation is insignificant.

If Correlation coefficient (r) > 6P.E, the calculated correlation is significant.

vi. Trend analysis

The arrangement of Statistical data chronologically (according to occurrence of time) is known as time series and the statistical analysis of this chronological variation is termed as Trend Analysis. It helps to know the past behavior of data in certain span of time interval. On the basis of these past trends, one can make plan in forthcoming days. This Least square method is the most popular and widely used mathematical method of measuring trend. This is frequently used for future prediction. There are various types of curves that may be used to describe the given data but in this text, an attempt has been made to discuss only the fitting of linear trend by the least square method.

Let, the equation of Trend Analysis would be,

Y = a + bx

Where,

Y = the given value of the variable in time series. It is a dependent variable.

a = Intercept of trend line or y- intercept.

b = Slope of Trend Line.

x= Time variable.

CHAPTER-IV

RESULTS

The main objective of the study is to analyze the deposit collection &mobilization of selected banks, the necessary financial facts and figures as well as descriptive information are gathered through the financial statement. The major variables for the study are cash and bank balance, total investment, investment on government securities and share and debenture and fixed deposit in commercial banks.

Financial Ratio Analysis is a tool, through which economic and financial position of organizations can be fully X-rayed. It is the indicated quotient of two mathematical expressions, and as the relationship between two or more things. Therefore, to find out the position of investment in government securities of sample commercial banks, the following ratios are examined.

4.1 Data presentation and analysis

4.1.1 Composition of deposits

Deposit ratio helps to measure the composition of deposit products i.e. current deposit, fixed deposit, saving deposit, call deposit and margin deposit. It also helps to know about how bank collect the deposit from different sources as a deposit products and how successfully it utilize to different sectors.

4.1.1.1Current deposit to total deposit

This ratio is computed dividing the current deposit of bank by the total deposits of bank.

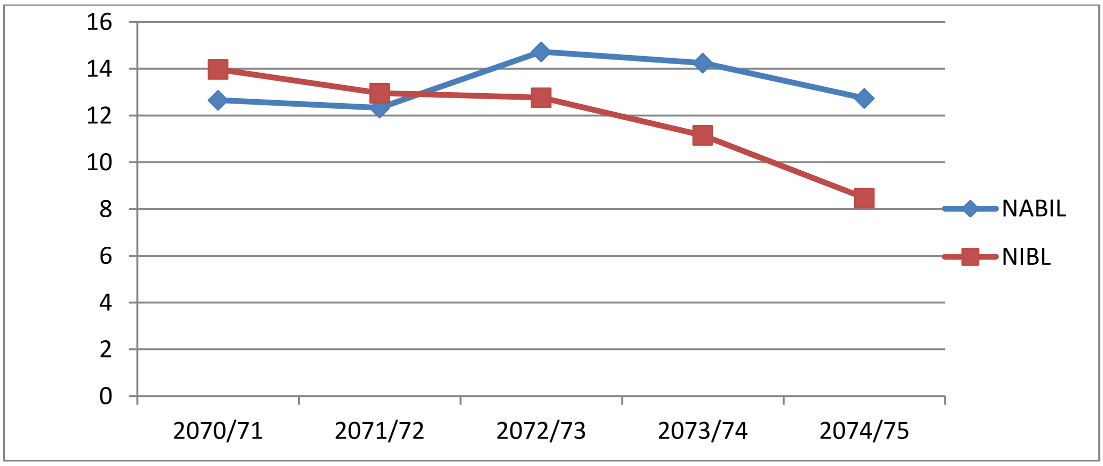
Table 4.1:Current deposit to total deposit (NPR in millions)

Years	NABIL			NIBL		
	Current deposit	Total deposit	Ratio (in %)	Current deposit	Total deposit	Ratio (in %)
070/071	9,545	75,388	12.66	10,323	73,831	13.98
071/072	12,848	104,237	12.33	11,742	90,631	12.96
072/073	16,237	110,267	14.73	13,871	108,626	12.77
073/074	16,946	118,896	14.25	14,023	125,669	11.16
074/075	17,325	135,979	12.74	11,872	140,071	8.48
Average			13.34			11.87
S.D			0.96			1.92
C.V			7.19			16.18

Source: Appendix II & III

From the table 4.1 it is depicted that current deposit to total deposit ratio of NABIL is 13.34 percent in an average in the period under study whereas that of NIBL is 11.87 percent in an average. The average ratio of NABILis higher than NIBL. The ratios of banks are found to be in fluctuating. The higher ratio is 14.73 percent in FY 2072/073 for NABIL & 13.98 percent in FY 2070/071 for NIBL. The S.D is 0.96and 1.92 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 7.19 and 16.18respectively. These facts are shown in the figure 4.1 to make easier to understand.

Figure: 4.1Current deposit to total deposit



4.1.1.2 Saving deposit to total deposit

This ratio is computed dividing the saving deposit of bank by the total deposits of bank.

Table 4.2: Saving deposit to total deposit (NPR in millions)

Years	NABIL			NIBL		
	Saving deposit	Total deposit	Ratio (in %)	Saving deposit	Total deposit	Ratio (in %)
070/071	32,601	75,388	43.24	25,015	73,831	33.88
071/072	42,715	104,237	40.98	31,733	90,631	35.01
072/073	53,437	110,267	48.46	39,423	108,626	36.29
073/074	51,398	118,896	43.23	36,419	125,669	28.98
074/075	44,142	135,979	32.46	39,379	140,071	28.11
Average			41.68			32.46
S.D			5.22			3.29
C.V			12.53			10.15

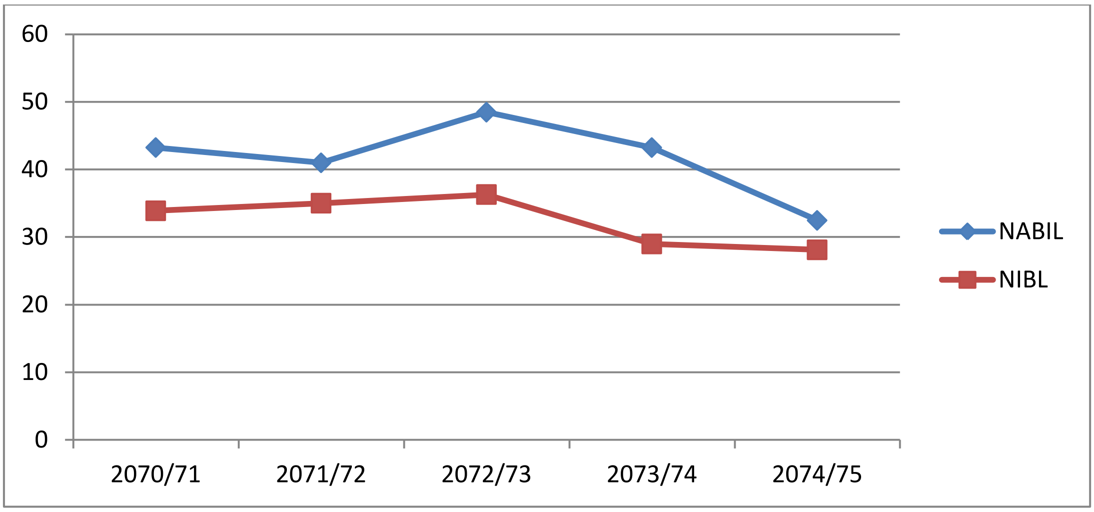
Source: Appendix II & III

From the table 4.2 it is depicted that saving deposit to total deposit ratio of NABIL is

41.36 percent in an average in the period under study whereas that of NIBL is 32.46 percent in an average. The average ratio of NABIL is higher than NIBL.

The ratios of banks are found to be in fluctuating. The higher ratio is 48.46 percent in FY 2072/073 for NABIL &36.29 percent in FY 2072/073 for NIBL. The S.D is 5.22 and 3.29for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 12.53 and 10.15 respectively. These facts are shown in the figure 4.2 to make easier to understand.

Figure 4.2: Saving deposit to total deposit



4.1.1.3 Margin deposit to total deposit

This ratio is computed dividing the margin deposit of bank by the total deposits of bank.

Table 4.3: Margin deposit to total deposit (NPR in millions)

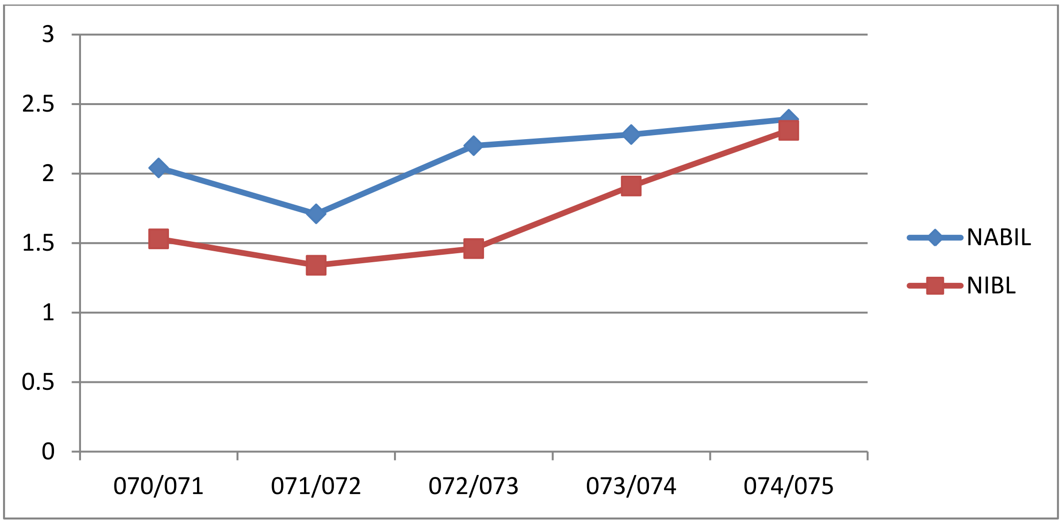
Years	NABIL			NIBL		
	Margin deposit	Total deposit	Ratio (in %)	Margin deposit	Total deposit	Ratio (in %)
070/071	1,541	75,388	2.04	1,133	73,831	1.53
071/072	1,787	104,237	1.71	1,217	90,631	1.34
072/073	2,421	110,267	2.20	1,587	108,626	1.46
073/074	2,713	118,896	2.28	2,406	125,669	1.91
074/075	3,252	135,979	2.39	3,237	140,071	2.31
Average			2.12			1.71
S.D			0.24			0.36
C.V			11.13			20.79

Source: Appendix II & III

From the table 4.3 it is showed thatmargin deposit to total deposit ratio of NABIL is

2.13 percent in an average in the period under study whereas that of NIBL is 1.71 percent in an average. The average ratio of NABIL is higher than NIBL. The ratios of banks are found to be in fluctuating. The higher ratio is 2.39percent in FY 2074/75 for NABIL & 2.31 percent in same FY 2074/75 for NIBL. The S.D is 0.24 and 0.36 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 11.13 and 20.79respectively. These facts are shown in the figure 4.3 to make easier to understand.

Figure 4.3: Margin deposit to total deposit



4.1.1.4Call deposit to total deposit

This ratio is computed dividing the call deposit of bank by the total deposits of bank.

Table 4.4: Call deposit to total deposit (NPR in Millions)

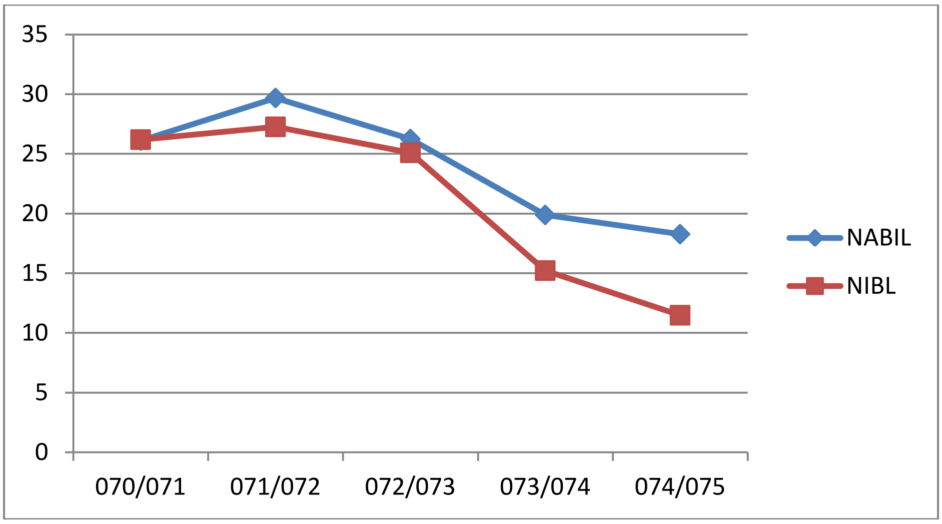
Years	NABIL			NIBL		
	Call deposit	Total deposit	Ratio (in %)	Call deposit	Total deposit	Ratio (in %)
070/071	19,684	75,388	26.11	19,338	73,831	26.19
071/072	30,941	104,237	29.68	24,708	90,631	27.26
072/073	28,931	110,267	26.24	27,259	108,626	25.09
073/074	23,634	118,896	19.88	19,127	125,669	15.22
074/075	24,838	135,979	18.27	16,086	140,071	11.48
Average			24.03			21.05
S.D			4.28			6.43
C.V			17.80			30.56

Source: Appendix II & III

From the table 4.4 it is depicted that call deposit to total deposit ratio of NABIL is 24.03

percent in an average in the period under study whereas that of NIBL is 21.05 percent in an average. The average ratio of NABIL is higher than NIBL. The ratios of banks are found to be in fluctuating. The higher ratio is 29.68 percent for NABIL & 27.26 percent for NIBL in same FY 2070/71. The S.D is 4.28 and 6.43 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 17.80 and 30.56 respectively. These facts are shown in the figure 4.4 to make easier to understand.

Figure 4.4: Call deposit to total deposit



4.1.1.5 Fixed deposit to total deposit

This ratio is computed dividing the fixed deposit of bank by the total deposits of bank

Table 4.5: Fixed deposit to total deposit (NPR in Millions)

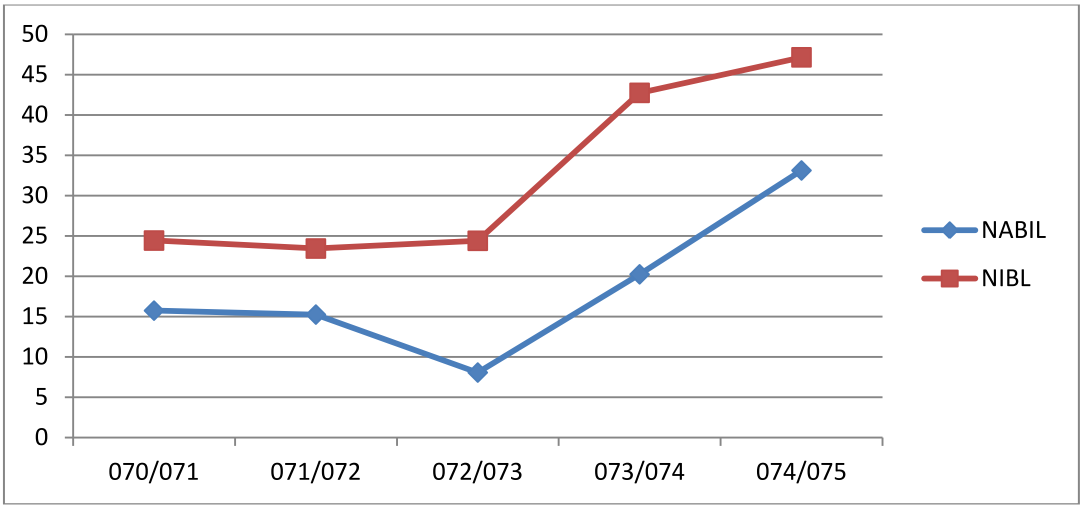
Years	NABIL			NIBL		
	Fixed deposit	Total deposit	Ratio (in %)	Fixed deposit	Total deposit	Ratio (in %)
070/071	11,854	75,388	15.72	18,019	73,831	24.41
071/072	15,871	104,237	15.23	21,229	90,631	23.42
072/073	8,868	110,267	8.04	26,485	108,626	24.38
073/074	24,044	118,896	20.22	53,692	125,669	42.72
074/075	45,012	135,979	33.10	66,010	140,071	47.13
Average			18.46			32.41
S.D			8.29			10.32
C.V			44.92			31.83

Source: Appendix II & III

From the table 4.5 it is depicted that fixed deposit to total deposit ratio of NABIL is

18.46 percent in an average in the period under study whereas that of NIBL is 32.41 percent in an average. The average ratio of NABIL is lower than NIBL. The ratios of banks are found to be in fluctuating. The higher ratio is 33.10 percent in FY 2074/075 for NABIL & 47.13 percent in same FY 2074/075 for NIBL. The S.D is 8.29 and 10.32 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 44.92 and 31.83 respectively. These facts are shown in the figure 4.5 to make easier to understand.

Figure 4.5: **Fixed deposit to total deposit**



4.1.2 Growth on total deposit of bank

The growth in core deposits is the singular most important indicators of a bank's intention to position itself in the marketplace. The total deposit of sample banks are presented below with every year growth rate on total deposit.

Table 4.6: Growth on total deposit of bank(NPR in millions)

Years	NABIL		NIBL	
	Total deposit	Growth rate (in %)	Total deposit	Growth rate (in %)
070/071	75,388		73,831	
071/072	104,237	38.27	90,631	22.75
072/073	110,267	5.78	108,626	19.86
073/074	118,896	7.83	125,669	15.69
074/075	135,979	14.37	140,071	11.460
Average		16.56		17.44
S.D		13.73		8.68
C.V		82.91		49.79

Source: Appendix I& III

From the table 4.6 shows that the total deposit of sample banks NABIL & NIBL. Both banks are able to increase deposit in every succeeding year. At first year of study NABIL has Rs. 75,388 (in millions) as a total deposit whereas NIBL has Rs. 73,831 (in millions) as a total deposit. Up to FY 2072/73 NABIL has higher deposit than NIBL in every year but in the final year of study NIBL has higher deposit in comparison to NABIL. In final year NABIL has higher growth on deposit than NIBL. It is depicted that growth on deposit of NABIL is 16.56 percent in an average in the period under study whereas that of NIBL is 17.44 percent in an average. The average ratio of NIBL is higher than NABIL. The ratios of banks are found to be in fluctuating. The higher ratio is 38.27 percent in FY 2071/072 for NABIL & 22.75 percent in same FY 2071/072 for NIBL. The S.D is 13.73 and 8.68 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 82.91 and 49.79 respectively. These facts are shown in the figure 4.6 & 4.7 to make easier to understand.

Figure: 4.6: Total deposit of banks (NPR in Millions)

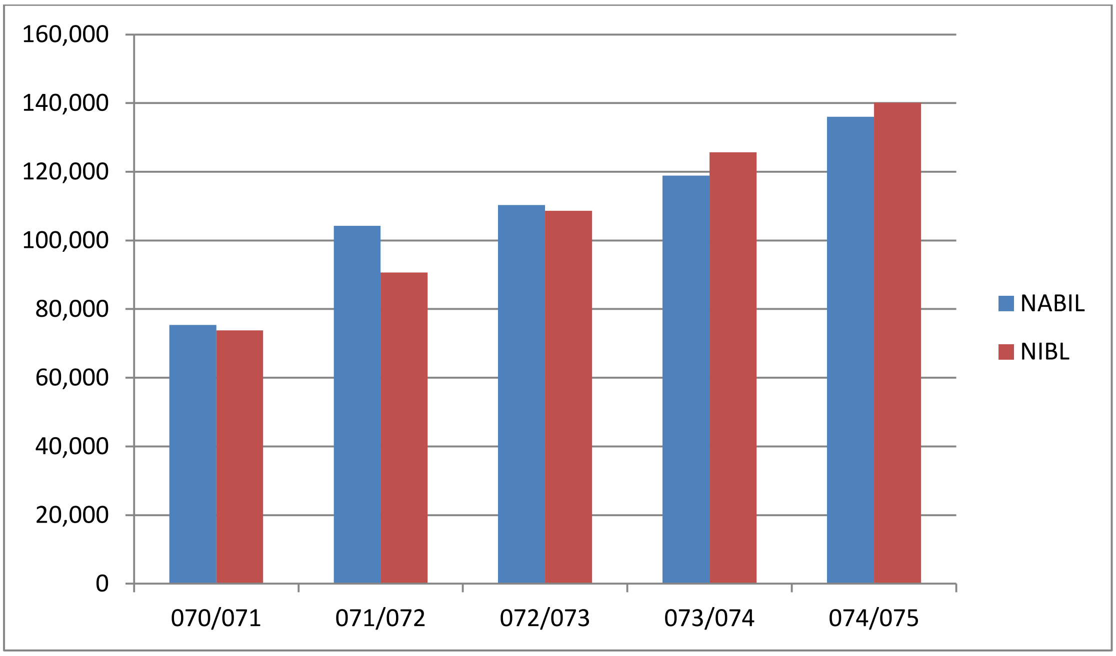
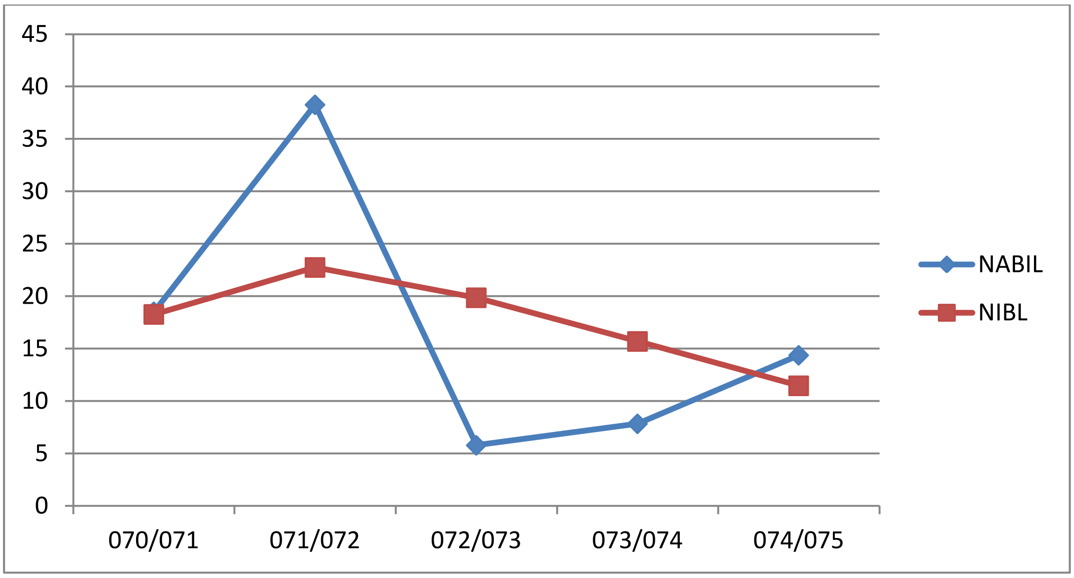


Figure 4.7: Growth on deposit of bank



4.1.2.1 Trend analysis of total deposit

Deposits are the importantpart in banking sector hence its trend for next Four years will be forecasted for future analysis. Here the effort has been made to calculate the trendvalues of Total deposit of NABIL and NIBL for further five year.

Table 4.7: Trend analysis of total deposit (NPR in millions)

Years	NABIL	NIBL
070/071	75,388	73,831
071/072	104,237	90,631
072/073	110,267	108,626
073/074	118,896	125,669
074/075	135,979	140,071
Projected 075/76	210,841	221,258
Projected 076/77	239,932	253,514
Projected 077/78	269,023	285,769
Projected 078/79	298,113	318,024

Source: Appendix IV

Figure 4.8: Trend analysis of total deposit

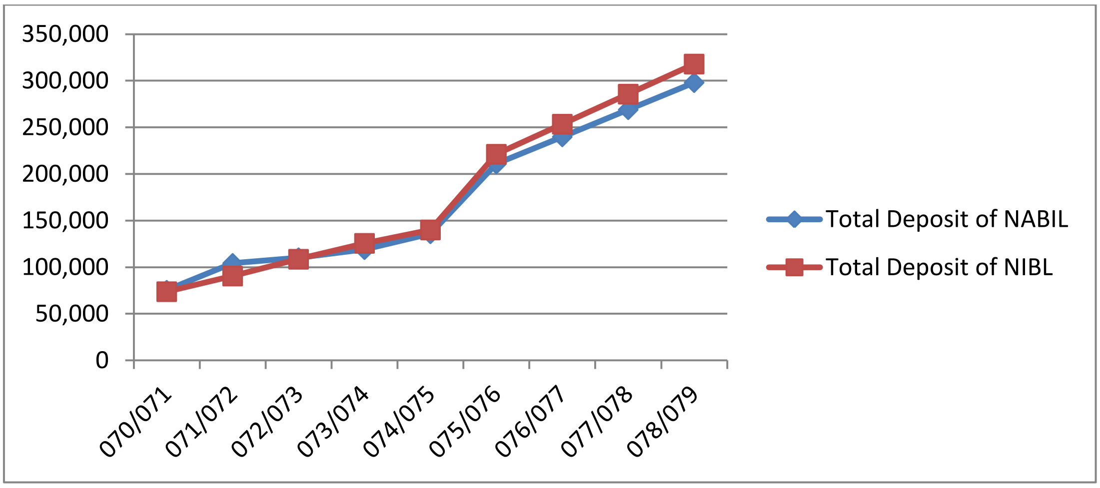


Table 4.7 and figure 4.8 shows that total deposit of NABIL and NIBL. BothBanks is in increasing trend. The rate of increment of total deposit for NIBLseems to be higher than that of NABIL. The trend analysis has projected depositamount in fiscal year FY 2075/76 to FY 2078/79. From the above trendanalysis it is clear that NIBL has higher position in collecting deposit thanNABIL.

4.1.3 Area of utilization of fund

Loan and advances ratio helps to measure the composition of loan products i.e. business loan and retail loan. It also helps to know about how bank successfully utilize to different types of loan for the purpose of earning profit.

4.1.3.1 Business loan to total loan and advances

This ratio is computed dividing business loan of bank by the total amount of loan and advances.

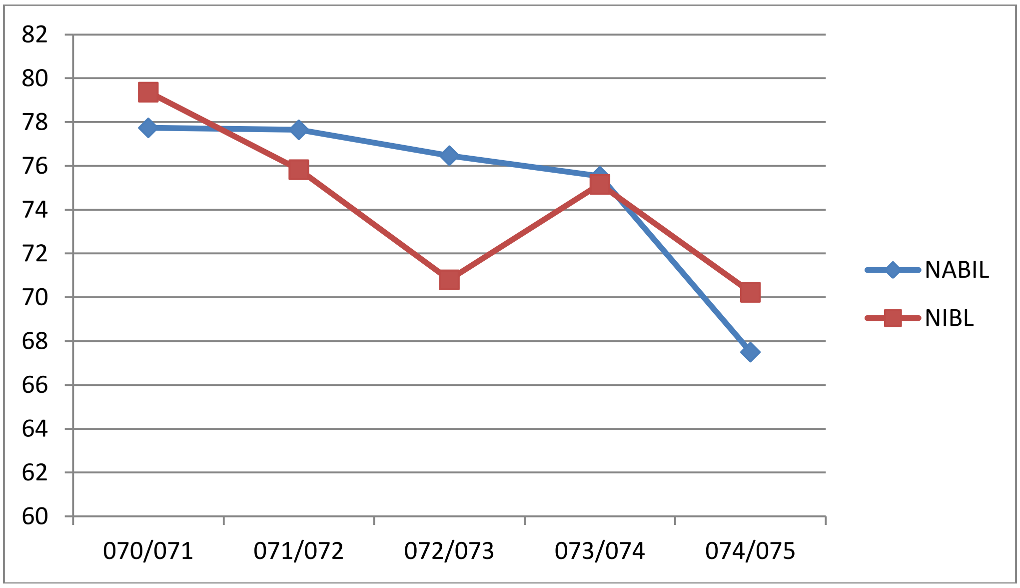
Table 4.8: Business loan to total loan and advances (NPR in Millions)

Years	NABIL			NIBL		
	Business loan	Total loan	Ratio (in %)	Business loan	Total loan	Ratio (in %)
070/071	43,691	56,203	77.74	41,290	52,019	79.37
071/072	49,077	63,202	77.65	50,213	66,219	75.83
072/073	52,250	68,326	76.47	60,510	85,461	70.80
073/074	65,360	86,531	75.53	78,631	104,624	75.16
074/075	73,615	109,059	75.53	85,953	122,388	75.16
Average			74.98			74.28
S.D			3.83			3.39
C.V			5.10			4.57

Source: Appendix II & III

From the table 4.8 it is depicted that business loan to total loan and advance ratio of NABIL is 74.98 percent in an average in the period under study whereas that of NIBL is 74.28 percent in an average. The average ratio of NABIL is higher than NIBL. The higher ratio is 77.74 percent in FY 2070/071 for NABIL & 79.37percent in FY 2070/071for NIBL. The S.D is 3.83 and 3.39 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 5.10 and 4.57 respectively. These facts are shown in the figure 4.9 to make easier to understand.

Figure 4.9: Business loan to total loan and advances



4.1.3.2 Retail loan to total loan and advances

This ratio is computed dividing retail loan of bank by the total amount of loan and advances.

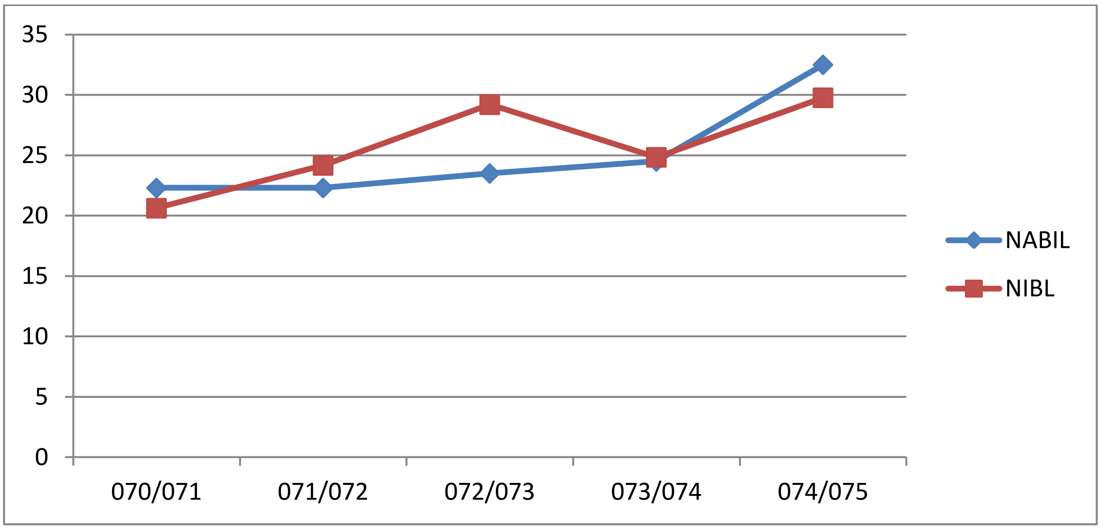
Table 4.9: Retail loan to total loan and advances (NPR in millions)

Years	NABIL			NIBL		
	Retail loan	Total loan	Ratio (in %)	Retail loan	Total loan	Ratio (in %)
070/071	12,511	56,203	22.26	10,729	52,019	20.63
071/072	14,124	63,202	22.35	16,006	66,219	24.17
072/073	16,077	68,326	23.53	24,951	85,461	29.20
073/074	21,171	86,531	24.47	25,993	104,624	24.84
074/075	35,444	109,059	32.5	36,435	122,388	29.77
Average			25.00			25.72
S.D			3.83			3.39
C.V			15.31			13.20

Source: Appendix II & III

From the table 4.9 it is depicted that retail loan to total loan and advances ratio of NABIL is 25 percent in an average in the period under study whereas that of NIBL is 25.72 percent in an average. The average ratio of NABIL is lower than NIBL. Both NABIL & NIBL is found to be in fluctuating during the period of the study. The higher ratio is 24.47 percent in FY 2073/0704 for NABIL& 29.77 percent in FY 2074/75 for NIBL. The S.D is 3.83 and 3.39 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 15.31 and 13.20 respectively. These facts are shown in the figure 4.10 to make easier to understand.

Figure 4.10: Retail loan to total loan & advances



4.1.4 Growth on loan and advances of bank

The growth in loan and advances are the singular most important indicators of a bank's intention to position itself in the marketplace. The total loan and advances of sample banks are presented below with every year growth rate on total loan & advances.

Table 4.10: Growth on total loan and advances of banks (NPR in millions)

Years	NABIL		NIBL	
	Total loan & advances	Growth rate (in %)	Total loan & advances	Growth rate (in %)
070/071	56,203	17.96	52,019	12.11
071/072	63,202	12.45	66,219	27.30
072/073	68,326	8.11	85,461	29.06
073/074	86,531	26.64	104,624	22.42
074/075	109,059	26.03	122,388	16.98
Average		18.24		21.57
S.D		8.18		7.08
C.V		44.84		32.79

Source: Appendix I & III

From the table 4.10 shows that the total loan & advances of sample banks NABIL & NIBL. Both banks are able to increase loan & advances in every succeeding year. At first year of study NABIL has Rs. 56,203 (in millions) as a total loan and advances whereas NIBL has Rs. 52,019 (in millions) as a total loan & advances. Up to FY 2070/71 NABIL has higher loan and advances than NIBL but in the last three year of study NIBL has higher loan and advances in comparison to NABIL. In first two year NABIL has higher growth on loan and advances than NIBL but in last three year NIBL has higher growth on loan and advances than NABIL. It is depicted that growth on loan and advances of NABIL is 18.24 percent in an average in the period under study whereas that of NIBL is 21.57 percent in an average. The average ratio of NIBL is higher than NABIL. The ratios of banks are found to be in fluctuating. The higher ratio is 26.64 percent in FY 2073/074 for NABIL & 29.06 percent in FY 2072/073 for NIBL. The S.D is 8.18 and 7.08 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 44.84 and 32.79 respectively. These facts are shown in the figure 4.11& 4.12 to make easier to understand.

Figure 4.11: Total loan and advances of bank(NPR in millions)

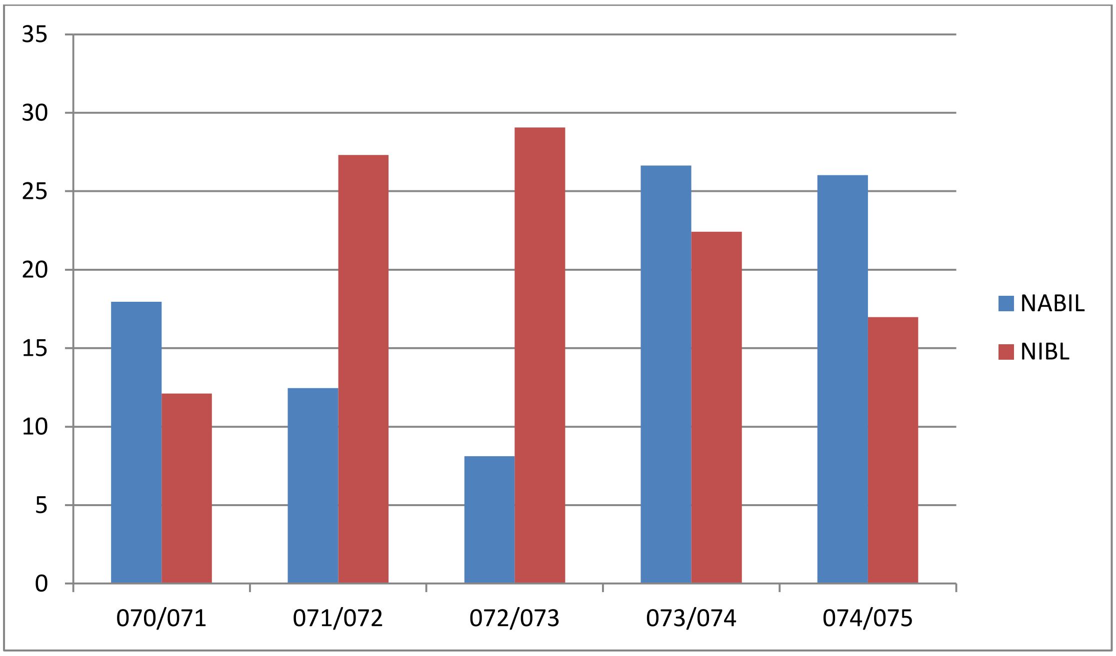
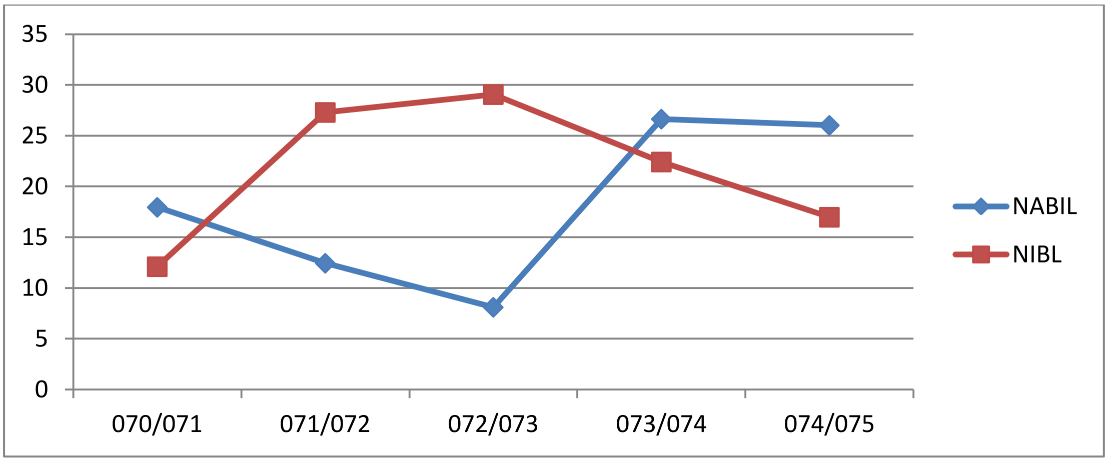


Figure 4.12: Growth on loan and advances of bank



4.1.4.1Trend analysis of total loan and advances

Loan and Advances are the importantpart in banking sector hence its trend for next five years will be forecasted for future analysis. Here the effort has been made to calculate the trendvalues of Total Loan and Advances of NABIL and NIBL for further five year.

Table 4.11: Trend analysis of total loan & advance (NPR in millions)

Years	NABIL	NIBL
070/071	56,203	52,019
071/072	63,202	66,219
072/073	68,326	85,461
073/074	86,531	104,624
074/075	135,979	122,388
Projected 075/76	228,353	280,294.2
Projected 076/77	264929.2	328832.2
Projected 077/78	301505.4	377370.2
Projected 078/79	338081.6	425908.2

Source: AppendixIV

Figure 4.13: Trend analysis of total loan and advances

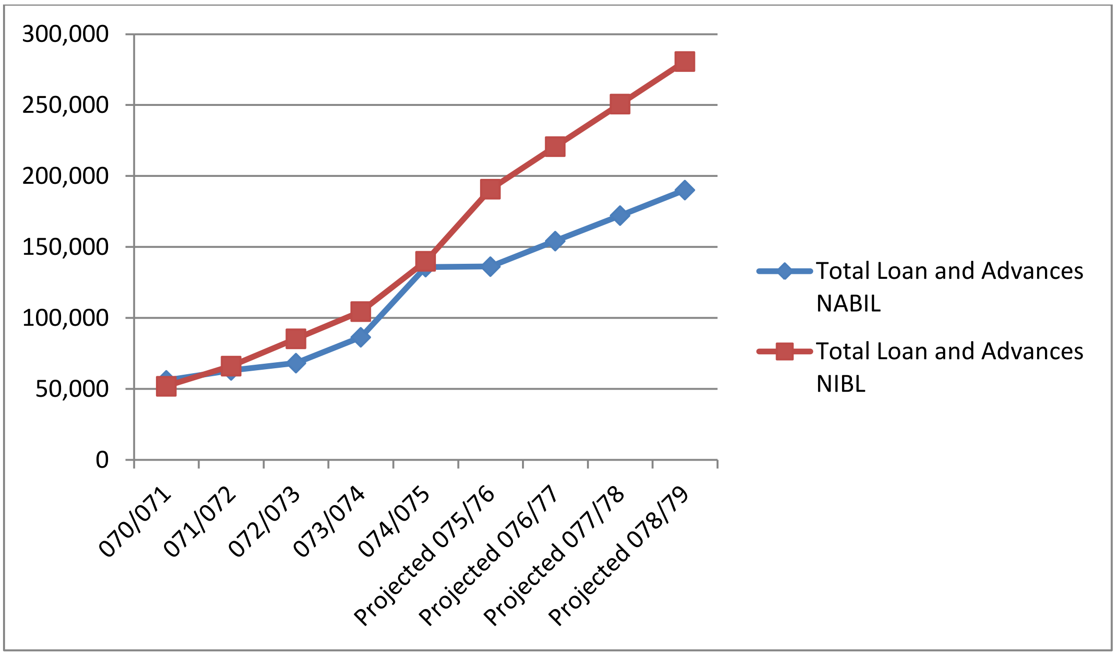


Table 4.11 and figure 4.13 shows that total loan and advances of NABIL and NIBL. BothBanks is in increasing trend. The rate of increment of total loan and advances for NIBLseems to be higher than that of NABIL. The trend analysis has projected loanamount in fiscal year FY 2074/75 to FY 2078/79. From the above trendanalysis it is clear that NIBL has higher position in mobilizing loan thanNABIL.

4.1.5 Credit to deposit ratio (CD Ratio)

CD ratio is a ratio between the banks total loans and total deposits. The ratio is generally expressed in percentage terms. If the ratio is lower than one, the bank relied on its deposits to make loans to its customers, without any outside borrowing. If on the other hand the ratio is greater than one, the bank borrowed money which it re-loaned at higher rates, rather than relying entirely on its own deposits. Banks may not be earning an optimal return if the ratio is too low. If the ratio is too high, the banks might not have enough liquidity to cover any unforeseen funding requirements or economic crises.

CD ratio can be calculated by dividing total loan and advances to total deposit of the bank. Following table clearly shows the CD ratio (Loan and Advances to total deposit) of sample banks.

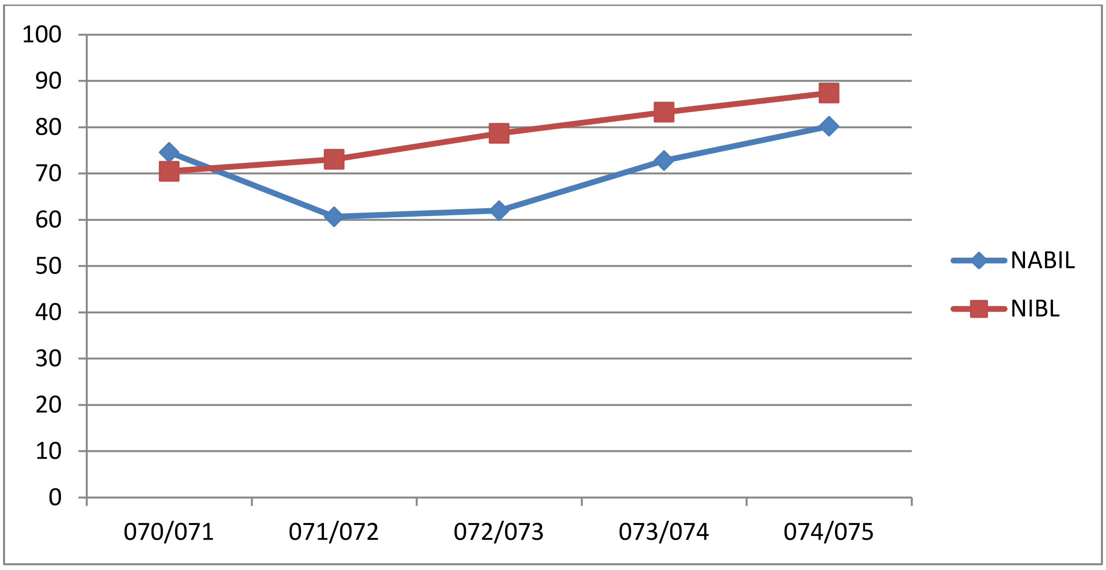
Table 4.12: Credit to deposit ratio(Ratio in %)

Years	NABIL	NIBL
070/071	74.55	70.46
071/072	60.63	73.06
072/073	61.96	78.67
073/074	72.78	83.25
074/075	80.2	87.38
Average	70.02	78.56
S.D	8.44	6.26
C.V	12.05	7.96

Source: Appendix II & III

From the table 4.12 it is depicted that CD ratio of NABIL is 70.02 percent in an average in the period under study whereas that of NIBL is 78.56 percent in an average. The average ratio of NIBL is higher than NABIL. The ratios of banks are found to be in fluctuating. The higher ratio is 74.55 percent in FY 2070/071 for NABIL & 87.38 percent in FY 2074/075 for NIBL. The S.D is 8.44 and 6.26 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 12.05 and 7.96 respectively. These facts are shown in the figure 4.14 to make easier to understand.

Figure 4.14: Credit to deposit ratio



4.1.6 Statistical tools

The statistical analysis includes various methods of measuring relationship between two or more than two variables as well as their significance. In this study, different relationships have been calculated with the help of Karl person's formula of correlation co efficient and calculating PE for measuring significant correlation.

Coefficient of correlation between deposit and loan and advance

The relationship between deposit and loan and advance is evaluated in order to measure deposit mobilization of the banks. The following result is obtained for selected banks.

Table 4.13: Correlation coefficient between deposit and loan and advance

Banks	r	P.E.	6P.E	Significance/Insignificance
NABIL	0.9528	0.02780	0.1668	Significant
NIBL	0.9933	0.00402	0.0241	Significant

Source: Appendix IV

The calculation of correlation coefficient between deposit and loan and advance is 0.9528, shows the positive correlation for NABIL. The P.E is 0.02780 and the 6P.E is 0.1668. The correlation is significant due to the value "r" which is more than six times the value of P.E.

At the same time, NIBL has 0.9933 of correlation coefficient, which shows the positive correlation for NIBL. The P.E is 0.00402 and the 6P.E is 0.0241. The correlation is significant due to the "r" which is more than six times the value of P.E.

4.2 Major findings

i. Current deposit to total deposit ratio of NABIL is 13.34 percent in an average in the period under study whereas that of NIBL is 11.87 percent in an average. The average ratio of NABIL is higher than NIBL. The ratios of banks are found to be in fluctuating. The higher ratio is 14.73 percent in FY 2072/073 for NABIL & 13.98 percent in FY 2070/071 for NIBL. The S.D is 0.96 and 1.92 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 7.20 and 16.18 respectively.

ii. Saving deposit to total deposit ratio of NABIL is 41.68 percent in an average in the period under study whereas that of NIBL is 32.46 percent in an average. The average ratio of NABIL is higher than NIBL. The ratios of banks are found to be in fluctuating. The higher ratio is 48.46 percent in FY 2072/073 for NABIL & 36.29 percent in FY 2072/073 for NIBL. The S.D is 5.22 and

3.29 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 12.53 and 10.14 respectively.

iii. Margin deposit to total deposit ratio of NABIL is 2.13 percent in an average in the period under study whereas that of NIBL is 1.71 percent in an average. The average ratio of NABIL is higher than NIBL. The ratios of banks are found to be in fluctuating. The higher ratio is 2.39 percent in FY 2074/75 for NABIL & 2.31 percent in same FY 2074/75 for NIBL. The S.D is 0.24 and 0.36 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 11.29 and 21.02 respectively.

iv. Call deposit to total deposit ratio of NABIL is 24.03 percent in an average in the period under study whereas that of NIBL is 21.05 percent in an average. The average ratio of NABIL is higher than NIBL. The ratios of banks are found to be in fluctuating. The higher ratio is 29.68 percent for NABIL & 27.26percent for NIBL in same FY 2071/72. The S.D is 4.28 and 6.43 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 17.81 and 30.55respectively.

v. Fixed deposit to total deposit ratio of NABIL is 18.46 percent in an average in the period under study whereas that of NIBL is 32.41 percent in an average. The average ratio of NABIL is lower than NIBL. The ratios of banks are found to be in fluctuating. The higher ratio is 33.10 percent in FY 2074/075 for NABIL & 47.13 percent in same FY 2074/075 for NIBL. The S.D is 8.29 and 10.32 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 44.90 and 31.84 respectively.

vi. At first year of study NABIL has Rs. 75,388 (in millions) as a total deposit whereas NIBL has Rs. 73831 (in millions) as a total deposit. Both banks able to increase deposit in every succeeding year. Up to FY 2072/73 NABIL has higher deposit than NIBL in every year but in the final year of study NABIL has higher deposit in comparison to NBIL. In final year NIBL has higher growth rate on deposit than NABIL In average.

vii. Growth on deposit of NABIL is 16.56 percent in an average in the period under study whereas that of NIBL is 17.44 percent in an average. The average ratio of NIBL is higher than NABIL. The ratios of banks are found to be in fluctuating. The higher ratio is 38.27 percent in FY 2071/072 for NABIL & 22.75 percent in same FY 2071/072 for NIBL. The S.D is 13.73 and 8.68 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 82.90 and 49.77 respectively.

viii. Business loan to total loan and advance ratio of NABIL is 74.98 percent in an average in the period under study whereas that of NIBL is 74.28 percent in an average. The average ratio of NABIL is higher than NIBL. The higher ratio is 77.74 percent in FY 2070/071 for NABIL & 79.37 percent in FY 2070/071for NIBL. The S.D is 3.83 and 3.39 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 5.10and 4.57 respectively.

ix. Retail loan to total loan and advances ratio of NABIL is 25 percent in an average in the period under study whereas that of NIBL is 25.72 percent in an average. The average ratio of NABIL is lower than NIBL. Both NABIL & NIBL is found to be in fluctuating during the period of the study. The higher ratio is 32.5 percent in FY 2074/075 for NABIL & 29.77 percent in FY 2074/075 for NIBL. The S.D is 3.83 and 3.39 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 15.31 and 13.20 respectively.

x. At first year of study NABIL has Rs. 56,203 (in millions) as a total loan and advances whereas NIBL has Rs. 52019 (in millions) as a total loan &advances.Both banks able to increase loan and advances in every succeeding year. Up to FY 2070/71 NABIL has higher loan and advances than NIBL but in the last three year of study NIBL has higher loan and advances in comparison to NABIL. In first two year NABIL has higher growth on loan and advances than NIBL but in last three year NIBL has higher growth rate on loan and advances than NABIL.

xi. Growth on loan and advances of NABIL is 18.24 percent in an average in the period under study whereas that of NIBL is 21.57 percent in an average. The average ratio of NIBL is higher than NABIL. The ratios of banks are found to be in fluctuating. The higher ratio is 26.64 percent in FY 2073/074 for NABIL

& 29.06 percent in FY 2072/073 for NIBL. The S.D is 8.18 and 7.08 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 44.84 and 32.79 respectively.

xii. CD ratio of NABIL is 70.02 percent in an average in the period under study whereas that of NIBL is 78.56 percent in an average. The average ratio of NIBL is higher than NABIL. The ratios of banks are found to be in fluctuating. The higher ratio is 80.2 percent in FY 2074/075 for NABIL & 87.38 percent in FY 2074/075 for NIBL. The S.D is 7.55 and 6.26 for NABIL and NIBL respectively. As well as the C.V. for NABIL and NIBL are 10.78 and 7.96respectively.

xiii. The calculation of correlation coefficient between deposit and loan and advance is 0.9033, shows the positive correlation for NABIL. The P.E is 0.02780 and the 6P.E is 0.1668. The correlation is significant due to the value "r" which is more than six times the value of P.E. At the same time, NIBL has 0.9980 of correlation coefficient, which shows the positive correlation for NIBL. The P.E is 0.00402 and the 6P.E is 0.0241. The correlation is significant due to the "r" which is more than six times the value of P.E.

CHAPTER-V
CONCLUSIONS

This chapter targets to summarize the main content of the thesis and to draw conclusion based on empirical findings. This study is carried out to assess the effect of deposit mobilization of commercial banks. Here in this chapter I have summarized, draw the conclusion and recommendation based on the whole study and analysis of data.

5.1 Discussion

Banks and other financial institutions play important role to increase economic standard for the development of the country. Economic development becomes slow if there are incomplete and unfair banking facilities. Especially commercial banks provide different economic and technical facilities to the people who involve in business activities. Commercial banks plays major role in collection of scattered small savings form depositors and transfer these funds into productive sectors for the economic development.

Basically, the entire research work has focused on the comparative study on deposit collection & mobilization of commercial banks. For the study, two commercial banks i.e. Nabil Bank Limited (NABIL) and Nepal Investment Bank Limited(NIBL) are taken as sample and analyzed their deposit collection &mobilization. Five fiscal years secondary data, i.e. from the year 2070/071 to 2074/075, are taken for the study. The general objective of this study is to analyze the practice of deposit collection &mobilization of the selected commercial banks. The specific objective of the study are to analyze the composition of deposit of selected commercial banks, to examine the trend and growth of deposit, to analyze the area of utilization of fund, to examine the trend of growth of mobilization of fund and to analyze the relationship between Deposit and Credit.

The study has identified that a problem and set objectives to solveproblems about deposit collection and mobilization of selected commercial banks as described in introductionchapter. To make this study more effective, related literatures have been reviewed. Thereview of literature provides the foundation of knowledge in order to under take thisresearch more precisely. This section also includes concept of banking, commercial banks,joint venture banks, deposit, loan and advances and provisions related to loan and advances.Research methodology has been described in third chapter, which is a way to solve theresearch problems with the help of various tools and techniques. This chapter includes thevarious financial as well as statistical tools to analyze the data in order to come to thedecisions. This chapter includes the research design, population and sample data collectionprocedure, data period covered and methods of analysis. This study is mainly conducted onthe basis of secondary data collected from annual reports, official report, economic journal,financial statement etc. and authorize web site of concern bank and NRB notices.The five years financial statement has been examined for the purpose of the study.

The presentation and analysis of data has been made comparative analytical and theirinterpretation has done in chapter four by applying the wide varieties of methodology as, stated in chapter three. It includes the various financial and statistical tools. In case offinancial tools ratio analysis is done which consists deposit ratio, loan compositionratio, CD ratio and other ratios. Various statistical tools such as arithmetic mean, standard deviation, coefficient ofcorrelation, trend analysis have been applied to fulfill the objective of this study. Themajor findings of the study are also included in the final section of the presentation andanalysis chapter. Last chapter includes summary of the study, conclusion of the main finding and recommendation for further improvement.

This study suffers from different limitations; it considers two commercial banks as samples out of total commercial banks in Nepal. Time and resources are the constraints of the study. Therefore the study may not be generalized in all case and accuracy depends upon the data collected and provided by the organization.

5.2 Conclusions

i. From the analysis of total deposit, the total deposit of NABIL is comparatively higherthan NIBL in earlier year of study but in last year NIBL has higher deposit than NABIL. In the first year of study NABIL has NPR 75,388 million as a total deposit whereas NIBL had NPR 73,831 as a total deposit, but in last year NABIL has increased to NPR 135,979 million as a total deposit and NIBL has increased to 140,071 million as a total deposit. This shows growth rate on deposit of NIBL is better than that of NABIL in an average. Despite this both banks able to increase total deposit compare to their previous year in every succeeding year.

ii. Total loan and advances of NABIL is comparatively higher than NIBL in earlier two year of study but in last three year NIBL has higher loan and advances than NABIL. But both banks able to increase total loan and advances compare to their previous year in every succeeding year. The average growth rate on loan & advances of NABIL and NIBL are 18.25% &21.57% respectively.In an average growth rate on total loan and advances of NIBL is comparatively higher than NABIL.

iii. Considering deposit mobilization aspect of these banks, NABIL is relatively successful to invest in productive sector and has mobilized its collected deposits to provide loan and advances for the purpose of earning profit. NIBL is also not so weak in investing its collected deposits in comparison to NABIL. In the study period, both bank has increase the percentage in last four years.

iv. Considering credit to deposit (CD) ratio of these banks, NABIL has average CD ratio of 70.02% whereas NIBL has average CD ratio of 78.56%. This shows comparatively NIBL appears to be more successful to mobilize its deposit to loan and advances than that of NABIL.

v. NABIL appears to be more successful to collect total deposit up to FY 2072/73 compare to NIBL after third year NIBL appears to be more successful in this regard.For mobilizing part of bank NIBL appears to be more successful than NABIL. In this way NABIL is more successful in collection part whereas NIBL is more successful in mobilization part.

vi. Correlation coefficient between deposits and loan & advances indicates the positive relationship between the variables of NABIL and NIBL. In most of the cases it has been found that investment decision depends upon the deposits and only few decisions depend upon other variables. By considering the probable error, the value of coefficient of determination of both banks is greater than that of 6 P.E. so it can be concluded that the value of correlation coefficient is significant i.e. there is significant relationship between total deposits and loan and advances for NABIL as well as NIBL.

5.3 Implications

i. Growth rate on deposit of both banks are less than that of growth rate on loan and advances of banks. So both banks are recommended to focus on their deposit to meet future demand on loan and advances. Bank should attractmore depositors by providing improved and new services and facilities.Higher the deposithigher will be the chance of the mobilization of working fund and profit there too.

ii. The growth ratio of total deposit, loan and advances are fluctuating during the study period. However, the deposits are main input of the commercial banks, it is recommended to initiate new package for marketing program i.e. banking training to the member, awareness of importance of deposit and strategies for collecting more deposit.

iii. The deposit position of a bank may be affected by internal as well as external factors. The affecting factors may be interest rates, supply and demand position of loan and advances as well as savings, investment situations, central banks directives, the lending policies, capability of management, strategic planning and funds flow situations.

iv. The main source of commercial banks is collecting deposit from public who don’t need that fund recently. So, it is recommended to collect more amounts as deposits through large variety of deposits schemes and facilities, like cumulative deposit scheme, prize bonds scheme, gift cheques scheme, recurring deposit scheme (life insurance), monthly interest scheme, house building scheme, direct finance housing scheme, education loan scheme and many others.

v. NABIL and NIBL are recommended to mobilize the deposit to make profitability position in the market. It should reduce its unnecessary expenses and cost to maximize the profit margin. These banks are strongly recommended to give more importance to invest more funds in government securities instead of keeping them idle.

vi. Banking is the risky business, so risk cannot be eliminated it should be managed. In order to mitigate the risk, CBs should evaluate the underlying risk of deposit mobilization in qualitative as well as quantitatively manner.

vii. Except some well-established bank many commercial banks have interest income as main source of income. The higher dependence in interest income should be gradually decreased as it bears higher risk on banks part. Banks should explore more revenues to increase commission based income by increasing facilities and networks.

viii. The result is basically from the commercial bank of Nepal. Thus the future study may include other financial sectors such as development banks, financial companies, and micro finance companies.

ix. The sample size and time period taken for the study is limited so future study can be conducted by taking large sample size for longer period. the model use in study is limited thus, other models can be taken to examine the deposit mobilization and bank performance.

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APPENDICES

APPENDIX: I

Nabil Bank Ltd (NABIL)

(NPR in Million)

FY	Total deposits	Current deposit	Margin deposit	Saving deposit	Fixed deposit	Call deposit
2070/71	75,388	9,545	1,541	32,601	11,854	19,684
2071/72	104,237	12,848	1,787	42,715	15,871	30,941
2072/73	110,267	16,237	2,421	53,437	8,868	28,931
2073/74	118,896	16,946	2,713	51,398	24,044	23,634
2074/75	135,979	17,325	3,252	44,142	45,012	24,838

FY	Total loan	Business loan	Retail loan
2070/71	56,203	43,691	12,511
2071/72	63,202	49,077	14,124
2072/73	68,326	52,250	16,077
2073/74	86,531	65,360	21,171
2074/75	109,059	73,615	35,444

Nepal Investment Bank Ltd (NIBL)

(NPR in Million)

FY	Total deposits	Current deposit	Margin deposit	Saving deposit	Fixed deposit	Call deposit
2070/71	73,831	10,323	1,133	25,015	18,019	19,338
2071/72	90,631	11,742	1,217	31,733	21,229	24,708
2072/73	108,626	13,871	1,587	39,423	26,485	27,259
2073/74	125,669	14,023	2,406	36,419	53,692	19,127
2074/75	140,071	11,872	3,237	39,379	66,010	140,071

FY	Total loan	Business loan	Retail loan
2070/71	52,019	41,290	10,729
2071/72	66,219	50,213	16,006
2072/73	85,461	60,510	24,951
2073/74	104,624	78,631	25,993
2074/75	122,388	85,953	36,435

APPENDIX: II

Nabil Bank Ltd (NABIL)

(Ratio in %)

FY	Current ratio	Margin ratio	Saving ratio	Fixed ratio	Call ratio
2070/71	12.66	2.04	43.24	15.72	26.11
2071/72	12.33	1.71	40.98	15.23	29.68
2072/73	14.73	2.20	48.46	8.04	26.24
2073/74	14.25	2.28	43.23	20.22	19.88
2074/75	13.34	2.13	41.68	18.46	24.03

FY	Business loan ratio	Retail loan ratio
2070/71	77.74	22.26
2071/72	77.65	22.35
2072/73	76.47	23.53
2073/74	75.53	24.47
2074/75	74.98	25.00

Nepal Investment Bak Ltd (NIBL)

(Ratio in %)

FY	Current ratio	Margin ratio	Saving ratio	Fixed ratio	Call ratio
2070/71	13.98	1.54	33.88	24.41	26.19
2071/72	12.96	1.34	35.01	23.42	27.26
2072/73	12.77	1.46	36.29	24.38	25.09
2073/74	11.16	1.91	28.98	42.73	15.22
2074/75	11.87	1.71	32.46	32.41	21.05

FY	Business loan ratio	Retail loan ratio
2070/71	79.37	20.63
2071/72	75.83	24.17
2072/73	70.80	29.20
2073/74	75.16	24.84
2074/75	67.50	32.50

APPENDIX: III

Calculation of Mean, S.D, C. V& growth Rate

1. **Nabil Bank Ltd**

Current deposit ratio

FY	Current deposit ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	12.66	-0.682	0.47
2071/72	12.33	-1.012	1.02
2072/73	14.73	1.388	1.93
2073/74	14.25	0.908	0.82
2074/75	12.74	-0.602	0.36
Total	66.71		4.60268

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 13.34

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 0.96

C. V = $\frac{\sigma}{\bar{X}}$ = 7.19

Margin deposit ratio

FY	Margin deposit ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	2.04	-0.084	0.007056
2071/72	1.71	-0.414	0.171396
2072/73	2.2	0.076	0.005776
2073/74	2.28	0.156	0.024336
2074/75	2.39	0.27	0.070756
Total	10.62		0.27932

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 2.12

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 0.24

C. V = $\frac{\sigma}{\bar{X}}$ = 11.13

Saving deposit ratio

FY	Saving deposit ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	43.24	1.566	2.45
2071/72	40.98	-0.694	0.48
2072/73	48.46	6.786	46.05
2073/74	43.23	1.556	2.42
2074/75	32.46	-9.214	84.90
Total	208.37		136.30

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 41.67

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 5.22

C. V = $\frac{\sigma}{\bar{X}}$ = 12.53

Fixed deposit ratio

FY	Fixed deposit ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	15.72	-2.742	7.52
2071/72	15.23	-3.232	10.45
2072/73	8.04	-10.422	108.62
2073/74	20.22	1.758	3.09
2074/75	33.10	14.638	214.27
Total	92.31		343.94408

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 18.46

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 8.29

C. V = $\frac{\sigma}{\bar{X}}$ = 44.92

Call deposit ratio

FY	Call deposit ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	26.11	2.074	4.30
2071/72	29.68	5.644	31.85
2072/73	26.24	2.204	4.86
2073/74	19.88	-4.156	17.27
2074/75	18.27	-5.766	33.25
Total	120.18		91.53

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 24.04

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 4.38

C. V = $\frac{\sigma}{\bar{X}}$ = 17.80

Business loan ratio

FY	Business loan ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	77.74	2.762	7.63
2071/72	77.65	2.672	7.14
2072/73	76.47	1.492	2.23
2073/74	75.53	0.552	0.30
2074/75	67.50	-7.478	55.92
Total	374.89		73.22

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 74.98

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 3.83

C. V = $\frac{\sigma}{\bar{X}}$ = 5.10

Retail loan ratio

FY	Retail loan ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	22.3	-2.72	7.40
2071/72	22.3	-2.72	7.40
2072/73	23.5	-1.52	2.31
2073/74	24.5	-0.52	0.27
2074/75	32.50	7.48	55.95
Total	125.1		73.33

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 25.02

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 3.83

C. V = $\frac{\sigma}{\bar{X}}$ = 15.31

CD ratio

FY	CD Ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	74.55	4.53	20.48
2071/72	60.63	-9.394	88.25
2072/73	61.96	-8.064	65.03
2073/74	72.78	2.756	7.60
2074/75	80.2	10.176	103.55
Total	350.12		284.91

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 70.02

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 7.55

C. V = $\frac{\sigma}{\bar{X}}$ = 10.78

2. **Nepal Investment Bank Ltd**

Current deposit ratio

FY	Current deposit ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	13.98	2.11	4.45
2071/72	12.96	1.09	1.19
2072/73	12.77	0.9	0.81
2073/74	11.16	-0.71	0.50
2074/75	8.48	-3.39	11.49
Total	59.35		18.45

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 11.87

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 1.92

C. V = $\frac{\sigma}{\bar{X}}$ = 16.18

Margin deposit ratio

FY	Margin deposit ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	1.53	-0.18	0.0324
2071/72	1.34	-0.37	0.1369
2072/73	1.46	-0.25	0.0625
2073/74	1.91	0.2	0.04
2074/75	2.31	0.60	0.36
Total	8.55		0.6318

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 1.71

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 0.36

C. V = $\frac{\sigma}{\bar{X}}$ = 20.79

Saving deposit ratio

FY	Saving deposit ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	33.88	1.426	2.03
2071/72	35.01	2.556	6.53
2072/73	36.29	3.836	14.71
2073/74	28.98	-3.474	12.07
2074/75	28.11	-4.344	18.87
Total	162.27		54.22

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 32.45

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 3.29

C. V = $\frac{\sigma}{\bar{X}}$ = 10.15

Fixed deposit ratio

FY	Fixed deposit ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	24.41	-8.002	64.03
2071/72	23.42	-8.992	80.86
2072/73	24.38	-8.032	64.51
2073/74	42.72	10.308	106.25
2074/75	47.13	14.718	216.62
Total	162.06		532.28

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 32.41

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 10.32

C. V = $\frac{\sigma}{\bar{X}}$ = 31.83

Call deposit ratio

FY	Call deposit ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	26.19	5.142	26.44
2071/72	27.26	6.212	38.59
2072/73	25.09	4.042	16.34
2073/74	15.22	-5.828	33.97
2074/75	11.48	-9.568	91.55
Total	105.24		206.88

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 21.05

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 6.43

C. V = $\frac{\sigma}{\bar{X}}$ = 30.56

Business loan ratio

FY	Business loan ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	79.37	5.092	25.93
2071/72	75.83	1.552	2.41
2072/73	70.8	-3.478	12.10
2073/74	75.16	0.882	0.78
2074/75	70.23	-4.048	16.39
Total	371.39		57.60

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 74.28

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 3.39

C. V = $\frac{\sigma}{\bar{X}}$ = 4.57

Retail loan ratio

FY	Retail loan ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	20.63	-5.092	25.93
2071/72	24.17	-1.552	2.41
2072/73	29.2	3.478	12.10
2073/74	24.84	-0.882	0.78
2074/75	29.77	4.048	16.39
Total	128.61		57.60

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 25.72

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 3.39

C. V = $\frac{\sigma}{\bar{X}}$ = 13.20

CD ratio

FY	CD ratio(X)	X-$\bar{X}$	(X-$\bar{X}$)^2
2070/71	70.46	-8.10	65.67
2071/72	73.06	-5.504	30.29
2072/73	78.67	0.106	0.01
2073/74	83.25	4.686	21.96
2074/75	87.38	8.816	77.72
Total	392.82		195.66

Mean($\bar{X}$) $= \frac{\Sigma X}{N}$ = 78.56

$\sigma = \sqrt{\frac{\Sigma(X-\bar{X})^2}{N}}$ = 6.26

C. V = $\frac{\sigma}{\bar{X}}$ = 7.96

3. Growth rate on deposit

FY	Total deposit		Growth rate (In %)	
	NABIL	NIBL	NABIL	NIBL
2070/71	75,388	73,831		
2071/72	104,237	90,631	38.27	22.75
2072/73	110,267	108,626	5.78	19.86
2073/74	118,896	125,669	7.83	15.69
2074/75	135,979	140,071	14.37	11.46

Growth rate can be calculated as,

Growth rate forFY 2071/72 for NABIL = (104,237-75,388)/75,388*100% = 38.27

Growth rate forFY 2071/72 for NIBL = (90,631-73,831)/73,831*100% = 22.75

Growth rate for others years can be calculated as similarly

4. Growth rate on loan and advances

FY	Total loan & advances		Growth rate (In %)	
	NABIL	NIBL	NABIL	NIBL
2070/71	56,203	52019	17.96	12.11
2071/72	63,202	66219	12.45	27.30
2072/73	68,326	85461	8.11	29.06
2073/74	86,531	104624	26.64	22.42
2074/75	109,059	122,388	26.06	16.98

Growth rate can be calculated as,

Growth rate forFY 2071/72 for NABIL = (63,202-56,203)/56,203*100% = 12.45%

Growth rate forFY 2071/72 for NIBL = (66219-52019)/52019*100% = 27.30%

Growth rate for others years can be calculated as similarly

APPENDIX: IV

1. Calculation of correlation coefficient and trend analysis

FY	Deposit (X)	Credit (Y)	x= (X-$\bar{X}$)	y =(Y-$\overline{Y}$)	x^2	y^2	xy
2070/71	75,388	56,203	-33,565	-20,461	1,126,636,077	418,660,705	686,788,362
2071/72	104,237	63,202	-4,716	-13,462	22,244,428	181,230,828	63,493,120
2072/73	110,267	68,326	1,313	-8,338	1,725,544	69,525,579	-10,953,059
2073/74	118,896	86,531	9,942	9,866	98,855,294	97,353,742	98,101,645
2074/75	135,979	109,059	27,025	32,394	730,383,055	1,049,423,067	875,488,906
Total	**544,767**	**383,321**	**0.00**	**0.00**	**1,979,844,401**	**1,816,193,922**	**1,712,918,975**

Correlation Coefficient (r) = $\sum(x-\bar{x})(y-\bar{y})/\sqrt{\sum(x-\bar{x})^2\sum(y-\bar{y})^2}$ = 0.9033

P. E=$\frac{0.6745(1-r^2)}{\sqrt{n}}$ =0.02780

6P. E= 0.1688

1. Correlation Coefficient between deposit and credit of NIBL

FY	Deposit (X)	Credit (Y)	x= (X-$\bar{X}$)	y =(Y-$\overline{Y}$)	x^2	y^2	xy
2070/71	73,831	52019	-33,934	-34,123	1,151,557,077	1,164,392,778	1,157,957,143
2071/72	90,631	66219	-17,134	-19,923	293,594,517	396,933,898	341,376,062
2072/73	108,626	85461	860.40	-681.20	740,288.16	464,033	-586,104
2073/74	125,669	104624	17,903	18,481	320,531,731	341,576,931	330,887,058
2074/75	140,071	122,388	32,305	36,245	1,043,638,869	1,313,758,017	1,170,935,067
Total	**538,828**	**430,711**	**0.00**	**0.00**	**2,810,062,483**	**3,217,125,658**	**3,000,569,226**

Correlation Coefficient (r) = $\sum(x-\bar{x})(y-\bar{y})/\sqrt{\sum(x-\bar{x})^2\sum(y-\bar{y})^2}$ = 0.9980

P. E=$\frac{0.6745(1-r^2)}{\sqrt{n}}$ =0.00402

6 P. E= 0.0241

2. Trend analysis of deposit of NABIL

FY	X	X^2	Y(Deposit)	XY
2070/71	-2	4	75,388	-150,776
2071/72	-1	1	104,237	-104,237
2072/73	0	0	110,267	0
2073/74	1	1	118,896	118,896
2074/75	2	4	135,979	271,958
Total	**0**	**10**	**544,767**	**135,841**

Let, the equation of trend analysis would be,

Y = a + bx   here, n = 5

a = $\sum Y$/n = 108953.4

b = $\sum XY$/n = 27168.2

For Projected Year, 2075/76 = a + bx = 217626.2

Where x = 2076-2072 = 4

For Projected Year, 2076/77 = a+ bx = 244794.4

Where x = 2077-2072 = 5

For Projected Year, 2077/78 = a+ bx = 271962.6

Where x = 2078-2072 = 6

For Projected Year, 2078/79 = a+ bx = 299130.8

Where x = 2079-2072 = 7

3. Trend analysis of deposit of NIBL

FY	X	X^2	Y(Deposit)	XY
2070/71	-2	4	73,831	-147662
2071/72	-1	1	90,631	-90631
2072/73	0	0	108,626	0
2073/74	1	1	125,669	125669
2074/75	2	4	140,071	280142
Total	**0**	**10**	**538,828**	**167,518**

Let, the equation of trend analysis would be,

Y = a + bx   here, n = 5

a = $\sum Y$/n = 107765.6

b = $\sum XY$/n = 33503.6

For Projected Year, 2075/76 = a + bx = 24179.4

Where x = 2076-2072 = 4

For Projected Year, 2076/77 = a+ bx = 275283

Where x = 2077-2072 = 5

For Projected Year, 2077/78 = a+ bx = 308786.6

Where x = 2078-2072 = 6

For Projected Year, 2078/79 = a+ bx = 342290.2

Where x = 2079-2072 = 7

4. Trend analysis of loan and advances of NABIL

FY	X	X^2	Y(Loan)	XY
2070/71	-2	4	56,203	-112406
2071/72	-1	1	63,202	-63202
2072/73	0	0	68,326	0
2073/74	1	1	86,531	86531
2074/75	2	4	135,979	271958
Total	**0**	**10**	**410,241**	**182,881**

Let, the equation of trend analysis would be,

Y = a + bx   here, n = 5

a = ∑Y/n = 82048.2

b = ∑XY/n = 36576.2

For Projected Year, 2075/76 = a + bx = 228,353

Where x = 2076-2072 = 4

For Projected Year, 2076/77 = a+ bx = 264929.2

Where x = 2077-2072 = 5

For Projected Year, 2077/78 = a+ bx = 301505.4

Where x = 2078-2072 = 6

For Projected Year, 2078/79 = a+ bx = 338081.6

Where x = 2079-2072 = 7

5. Trend analysis of loan and advances of NIBL

FY	X	X^2	Y(Loan)	XY
2070/71	-2	4	52019	-52019
2071/72	-1	1	66219	0
2072/73	0	0	85461	85461
2073/74	1	1	104624	209248
2074/75	2	4	122,388	0
Total	**0**	**10**	**430711**	**242690**

Let, the equation of trend analysis would be,

Y = a + bx   here, n = 5

a = $\sum Y$/n = 86142.2

b = $\sum XY$/n= 48538

For Projected Year, 2075/76 = a + bx = 24179.4

Where x = 2076-2072 = 4

For Projected Year, 2076/77 = a+ bx = 205705.2

Where x = 2077-2072 = 5

For Projected Year, 2077/78 = a+ bx = 231513.4

Where x = 2078-2072 = 6

For Projected Year, 2078/79 = a+ bx = 257321.6

Where x = 2079-2072 = 7

DEPOSIT MOBILISATION OF COMERCIAL BANKS : A COMPARATIVE STUDY OF NABIL AND NIBL

A Thesis Proposal

By

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1. Background of the study

In this modern age, economic condition of a country represents the soundness of the country. Today there are numbers of countries with sound economic condition while other countries with poor economic condition. To increase the economy of the country there must be considered capital formation as the vital instrument in the development of a nation.

Financial institutions are responsible for capital formation and growth of the economy as capital formation leads in the size of national output, income and employment solves the problem of inflation, balance of payments, and making the economy free from the burden of debts (Van Horne, 2002).

In Nepal, banking sector has played a vital role in the development of the country. The major function of the bank is to accept deposits from surplus units in the form of transactions (payment oriented) and non transactions (savings oriented) accounts and to mobilize the idle resources into productive sectors. Banking has crossed various phases to come to the modern form. Some sort of banking activities had been carried out since the time immemorial. Traditional forms of banking were traced during the civilization of Greek, Rome and Mesopotamia. Merchants, goldsmith and money lenders are said to be the ancestors of modern banking.

Capital formation is one of the important factors leads to increase in the size of national output income and employment, solving the problem of inflation, balance of payment and foreign debts (American institute of banking, 1972). Domestic capital formation helps in making a country self sustainable. According to classical economist, one of the main factors which helped capital formation was the accumulation of capital. Profit made by the business community constituted the major part of savings to the community and the saving has assumed to be invested. They thought capital formation indeed plays a deceive role in determining the level and growth of national income and economic development. In the view of many economists, capital occupies the central and strategies position in the process of economic development in an underdeveloped economy lies in a rapid expansion of the rate of its capital investment so that it attains rate of growth of output which exceeds the rate of growth of population by the significant margin. Only with such rate of capital investment will the living standard begin to improve in developing country. In developing countries, the rate of saving is quite low and existing institutions are half successful in mobilizing such savings as most people have incomes so low that vertically all current income must be spent in maintain a subsistence level of consumption.

Investment is an essence of the national economy. Banking system is the integral part of investment system in productive sector. It involves the sacrifice of current rupees for future rupees. It is concerned with the allocation of present fund for later reward, which is uncertain. When people deposit money in a saving account in bank for example; the bank must invest the money in new factories and equipment to increase their production. In addition borrowing from the banks most issues stocks and bonds that they sell to investors to raise capital needed for business expansion. Government also issues bonds to obtain funds to invest in such project such as the construction of dams, roads and schools. All such investments by individuals business and government involves a presto sacrifice of income to get an expected future benefits (Banking and Financial Statistics, 1997). As a result, investment raises a nation's standard of living.

For the development of any country, the financial sector of that country in responsible and must be strong. The financial sector is vast field, which comprises of banks cooperatives, insurance companies, financial companies, stock exchange, foreign exchange markets, mutual funds etc. These institutions collect idle and scattered money from the general public and finally invest in different enterprises of national economy that consequently help in reducing poverty, increase in life style of people, increase employment opportunities and thereby developing the society and country as a whole. Thus, today's concept, the financial institutions and commercial banks has become one of the bases for the measuring level of economic development of nation.

Commercial banks are the main source which motivates people to save their earnings. Bank deals in accepting the saving of people in the form of deposit collection and invest it in the productive area. They give the loan to the people against real and financial assets. They transfer monetary sources from savers to users (Encyclopedia, 1966). In other words, they are intermediate between lender and receiver of fund they mobilize the depositor fund.

The commercial bank has been a vital ingredient for economic development. They are intermediaries, which mobilize funds through the prudential combination of investment portfolios in advanced countries (C. R Crowther, 1990). Whereas in Nepal the role of joint venture banks are still to be realized as an essentials machine of mobilizing internal saving through various banking schemes in the economy. Hence, to uplift the backward economic condition of the country, the process of capital accumulation, among other prerequisites should be expedited.

2. Statement of problem and research question

Nepal is a developing country and rapid economic development is the basic need of the country. Development by its means is not possible within a short period and it takes a long time for the proper development of a country, it has to build up infrastructure. In Nepal, the process of development started only after 1956 A. D. when the first five year plan came into practice.

Capital in fact, plays the leading role for the economic development of a country. But in Nepal, there is shortage of capital. There are various sources of accumulating capital internal and external sources. Under external sources: aid, grants and loans are the main sources. In internal sources: accumulating capital, taxes, public enterprises, public debt are the popular in our country. But due to poverty, lack of banking knowledge, the desired capital for the development of the country cannot be accumulated from those internal sources. So, it can be said that Nepal's present situation bank deposit is dependable and permanent sources of capital accumulation.

The need of deposit collection & mobilization for economic development of a country is no more to question. But they are facing an acute problem of resources mobilization. There are 28 commercial banks in Nepal (NRB, 075/76), which are very much considered to be vital financial institution to mobilize domestic resources. Under the prevalence of these situations the study has try to deal with following problems.

i. What is the composition of deposit of NABIL Bank and NIBL Bank?
ii. What is the trend and growth of deposit and mobilization of selected commercial banks?

iii. What are the areas of utilization of fund?
iv. What is the relationship between deposit and investment performance of banks?

3. Purpose of the study

The basic objective of the study is to examine the deposit collection and mobilization of two selected commercial banks. The specific objectives of the study are:

i. To identify the major composition of deposit.
ii. To measures the trend & growth of deposit and mobilization in investment area.
iii. To analyze the area of utilization of fund.
iv. To analyze the relationship between deposit and investment performance of banks.

4. Significance of the study

Banks and other financial institutions play important role to increase economic standard for the development of the country. Economic development becomes slow if there are incomplete and unfair banking facilities. Especially commercial banks provide different economic and technical facilities to the people who involve in business activities. Commercial banks plays major role in collection of scattered small savings form depositors and transfer these funds into productive sectors for the economic development.

Mainly this study will cover the deposit and credit position of commercial banks, so it helps to reveal the financial position of banks and study occupies an important role in the series of the studies on commercial banks. The significances of the study are:

i. The depositor’s general public can make decision to deposit their money in the bank after analyzing the fund mobilization of bank.
ii. By the help of this study, general public can know the funds mobilizing activities of banks.
iii. It is also beneficial for the government while formulating polices and rules regarding bank.
iv. Important to know about the composition of deposit of banks.
v. Important to know trend and growth of deposit of commercial banks.
vi. Important to know how well the bank is utilizing its deposits.

vii. Important to policy formulator and also be useful for academic professionals, students particularly those involves in commerce, charted accountants and financial institutions to formulate policies and plans on the basis of performance of their bank and comparison with other banks.

viii. Important to management party of selected banks for the evaluation of the performance of their bank and comparison with other banks.

ix. Important for the investors, customers (depositors, loan takers) and personnel of bank to take various decisions regarding deposits and loan advances.

5. Limitations of study

This study will be for the partial fulfillment of Master of Business Studies and prepared with in time constraints which will weaken adequacy of the study. Whereas, researcher try to keep the report more feasible, accurate and fulfill even there are some limitations. These limitations can be point out in the following points:

i. The study will be based on only secondary data.

ii. There are in total, 27 commercial banks in Nepal but only 2 commercial banks are selected. The sampled banks are Nabil bank and Nepal Investment bank. So, conclusion may not generalize as a whole.

iii. The study will covers the data of only five fiscal years i.e from fisal year 2070/71 to 2074/75.

iv. This research will use only the selective tools for analysis and interpretation of data.

6. Literature review

Bajracharya (1995), in his article, “Monetary Policy and Deposit Mobilization in Nepal” that the mobilization of domestic saving is one of the prime objectives of monetary policy in Nepal. For this purpose, commercial banks stood as the active and vital financial intermediary for generating resources in form of deposit of the investors in different aspects of the economy.
The study summarizes that commercial banks only can play an important role to mobilize the national savings. Now a day other financial institutions like finance companies, cooperative societies have been established actively to mobilize deposits in the proper sectors so that return can be ensured from the investment.

Sapkota (2000), conducted a study on A Study on Fund Mobilizing Policy of Standard Chartered Bank Ltd in Comparison to Nepal Bangladesh Bank Ltd and Himalayan Bank Ltd having main objectives to examine the fund mobilizing policy adopted by three joint venture banks viz. SCBNL, NBBL and HBL and the way these banks mobilized their funds during five year study period i.e. from 1996/97 to 1999/2000.

The study found the overall condition of SCBNL seems in satisfactory position in comparison to NBBL and HBL. These three banks are recommended to increase cash and bank balance to meet the need of investment and demand of loan and advances. And banks are to be investing its funds in the purchase of shares and debentures of other financial, non-financial companies, hotels and government companies. Sapkota has not explained about the risk ratios which have to be faced by these joint venture banks.

Pradhan (2005) in the article, “Deposit Mobilization, Its Problem and Prospects” has presented the following problems in the context of Nepal:

i. People do not have knowledge and proper education for saving in institutional manner. They so now know financial organizational process, withdrawal system, depositing system etc.
ii. Financial institutions do not want to operate and provide their services in rural areas.
iii. The study has also recommended about how to mobilize the deposit collection by the financial institutions by rendering their services in rural areas, by adding various services.
iv. By operating rural banking programmers and unit
v. Nepal Rastra Bank must organize training programmers to develop the skilled human resources
vi. By spreading a numbers of co-operative societies to develop mini banking services and improves the habits of public on deposit collection to the rural areas.

Poudel (2010), conducted a study on “Banking the Future on Competition” has presented the below results. Commercial banks are establishing and providing their services in urban areas only. They do not have interest to establish in rural areas. Only the branch of Nepal Bank Ltd. and Rastriya Banijya Bank Ltd. are running in those sectors.

a. Commercial banks are charging higher interest rate on lending
b. They have maximum tax concession
c. They do not properly analyze the system

According to the study, “Due to the lack of investment avenues, banks are tempted to invest without proper credit appraisal and on personal guarantee, whose negative side effects would show colors only after four or five years.” He has further included that private commercial banks have mushroomed only in urban areas where large volume of banking transaction and activities are possible.

Poudel (2014) conducted a study on “Problem & prospects of Commercial bank in relation to deposit collection & mobilization” she has mention that the commercial bank in Nepal are doing well but they are not giving satisfactory result due to some internal and external factor. A deposit is indeed the major organ of commercial banks. Higher the deposit higher will be the capacity of investment and higher will be the chance of mobilization of fund and make the satisfactory profit for the long term sustainability of an organization. In her study she has mention that if the commercial bank does not adopt the sound investment policy, it will be greater trouble in future in the collection of loan. Bank should invest its fund in various portfolios after proper study of the project. It keeps the bank far from the problem of default of payment that certainly keep the bank safe from the bankruptcy . Diversification of investment is very much important for banks because bank uses the money of people for the benefits of the depositors and the benefits of it’s own.

Miss Poudel has recommended to follow the liberal lending policy. So more percentage of deposit can be invested to different profitable sector as well as towards loan and advance .she further recommended to commercial bank to seek for new investment opportunities rather than investing in identified area .commercial bank should establish the efficient R&D department for this purpose.

Bhandari (2014) conducted a study on, “Deposit collection and loan distribution of Ujwal Saving & Credit Cooperative Society Ltd” found that the total deposit volume has been increasing trend shows that the cooperative is better deposit collection policy but the cooperative is putting additional effort and aggressively. While analyzing each type of saving deposit of the cooperative, it is found that is normal and ujwal saving is better deposit collection. Composition of different assets like in every financial sector remained largely in the loan and advance in the last five financial years. This composition included by cash, bank balance, loan and advance, fixed assets is fluctuating over the study period and share investment is equal in study period. Growth ratio, total deposit, total loan and advance, total assets and share capital are calculated and found that there is no consistency in the growth. The trend of growth seems fluctuating. While analyzing the correlation efficient between deposit and loan, it is found that there is significant +ve relationship between deposit and loan during the study period.

Karmacharya (2015) conducted a study on, “A Study on the Deposit Mobilization by the Joint Venture Banks” has mentioned that the bank has successfully maintained its liquid asset position but could not mobilize its resources efficiently. The report has concluded that Nepal Bank’s utilization side is weak as compare to the collection of resources. He suggested for extending its branches, so NBL’s deposit collection and also long-term as well as short-term credit may increase.

Mahesh (2016) has conducted a study on, “A Comparative Study on Financial Performance of NABIL Bank Ltd and Nepal Bangladesh Bank Ltd”. The main objective of the study is to know the financial condition, financial performance, financial growth, earning per share, dividend per share, efficiency of utilizing the assets and trend of net profit of NABIL and NBBL. The major findings of the study are overall liquidity position of NBBL was stronger than that of NABIL. Analyzing the activity or turnover of both banks, NBBL mobilized its deposits more on loan and advances whereas NABIL mobilized its deposits more prudently and efficiently in generating income. Similarly, capital adequacy position of NABIL was found to be better than that of NBBL. Regarding the capital structure of the banks, NBBL was found to have adopted high risk high return strategy as suggested by its highly leveraged i.e. debt dominated. According to the profitability analysis, NABIL was found sound profitability due to its higher ratio. Also, other indicators as earning per share, dividend per share and market price per share were found sharply higher in NABIL which implies positive attitude of shareholders towards NABIL. NABIL should keep only the reasonable amount of liquidity, which will save the bank from creating low return and NBBL should improve its capital adequacy by investing the assets and deposits in highly returnable sector. NABIL should invest its deposit in profit generating sectors.

6.1 Research gap

Research gap refers to the gap between previous research and this research. Many research studies have been conducted by the different student, expert and researcher about deposit collection & mobilization of different financial institutions. The review of above relevant literature has contributed to enhance the fundamental understanding and knowledge, which is required to make this study meaningful and purposeful. Since deposit collection and mobilization procedure is crucial current issue in Nepalese banking sector, it seems that there are limited research conducted about Deposit Collection & Mobilization of Commercial Banks in Nepal. By observing the objectives and findings of above mentioned studies, it is found that different studies have different area of coverage. But no one has considered credit-deposit ratio, maturity mismatch analysis etc. available research reports are focused to some part of the country and not conducted rigorously.

Despite the fact that Deposit Collection & Mobilization is current and urgent issue among Nepalese community, the NRB and commercial banks have failed to main- streamline it. No rigorous study has been made at the very moment. The tools used for analysis have been limited to rational analysis. So this study tries to explore the deposit collection & mobilization patterns in banking industry. Furthermore this study will be helpful to the interested groups. At least this study is different from the above in-terms of sample companies, data presentation as well as statistical used for interpretation and analysis of data.

Finally, the sample taken from the research purpose are unique that has hardly taken in previous study in a single batch for study purpose. The study focused overall deposit collection and mobilization and other financial indicators that may or may not affect the financial performance of commercial bank. So, this study will be fruitful to those person, scholar, students, civil society, stakeholders, businessman, and government for academic as well as policy perspective.

7. Methodology

Research methodology refers to the various sequential steps to be adopted by a research in studying a problem with certain objectives in view. (Kothari, 1989). Research methodology is the research method used to test the hypothesis. It sequentially refers to the various steps to be adopted by a researcher in studying a problem with certain objectives in view. In other words, research methodology describes the methods and process applied in the entire subject of the study.

7.1 Research design

Research design indicates a plan of action to be carried out in connection with proposed research work. The research design is descriptive cum analytical in this study because the historical secondary data have been mainly deployed for analysis. A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 1992).

7.2 Population and sample

There are altogether 27 commercial banks functioning all over the Nepal (NRB notice 2076). Among all the banks which are presented above only two banks, which are similar in capital, profits etc. will be taken as a sample by using convenience sampling. They are:

Nabil Bank Ltd. (NABIL)

Nepal Investment Bank Ltd (NIBL)

These banks will be compared as per deposit collection and mobilization procedure, that they are adopting to mobilize their collected funds as well as own funds.

7.3 Sources of data

The nature of data for the study will based on quantitative and secondary sources are used for main sources of data. The secondary sources of data collections are those that have been used from published on used by someone previously. The secondary sources of data are Balance Sheet, Profit & Loss account and literature publication of the concerned banks. The NEPSE report of the concerned bank has furnished some important data to this research work. Some supplementary data and information have been collected from the authoritative sources like Nepal Rastra Bank, Nepal Stock Exchange Limited, Security Exchange Board, Economic

Survey, National Planning Commission, different journals, magazines and other published and unpublished reports documented by the authorities.

In order to fulfill the objectives of this research work, all the secondary data will compiled, processed and tabulated in time series. And to judge the reliability of data provided by the banks and other sources, they were compiled with the annual reports of auditors. Formal and informal talks to the concerned head of the department of the bank will also be helpful to obtain the additional information of the related problem.

7.4 Data collection & processing procedures

Data processing converts data into information or knowledge. This research study will designed within the framework of descriptive and analytical research design. Descriptive research design simply describes facts explored by the available data. Data obtained from different source will processed manually by using computer program like Microsoft Word, MS Excel. Processed will be shown in table and figures. To analyze the collected data, some financial, mathematical and statistical tools will be used as per requirements.

7.5 Data analysis tools and techniques

Presentation and analysis of the data is the core of each and every research work. This study requires some financial and statistical tools to accomplish the objective of the study. The financial and statistical tools are most reliable. In this study various financial, statistical and accounting tools will be use. These tools make the analysis more effective, convenience, reliable and authentic.

The various results obtained with the help of financial, accounting and statistical tools will be tabulated under different headings. Then they will be compared with each other to interpret the results. Two kinds of tools will be use to achieve the certain goals.

1. Financial Tools
2. Statistical Tools

8. Chapter plan

The study will be organized into five chapters. The titles of each of these parts are follows:

Chapter I: Introduction: The first chapter includes various aspects of present study like Background of the Study, Statement of problem, Objective of the study, Significance of the study and Limitation of study.

Chapter II: Review of literature: The second chapter deals with the study of related books, and research work which are already published and conducted by different experts and researcher in the field of financial mobilization.

Chapter III: Methodology: The third chapter deals research methodology process such as, research design, nature and source of data, population and sampling of the study, methods tools of analysis of data viz. quantitative and qualitative tools and at last definition of key terms.

Chapter IV: Results: The fourth chapter introduces the main aspect of the study. It deals with presentation of data with different statistical and financial tools, and findings of the study.

Chapter V: Conclusions: The fifth chapter presents discussion, conclusions and implications.

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