

**A STUDY OF FUND ACCUMULATION AND MOBILIZATION CAPACITY OF
COMMERCIAL BANK**

SUBMITTED BY:

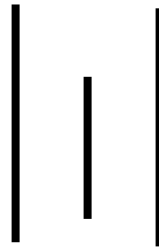
DHARMA RAJ BISTA

NEPAL COMMERCE CAMPUS

Campus Roll. NO.: 246/2064

T.U. Regd. No: 7-1-252-58-2002

EXAM ROLL No: 250161/066

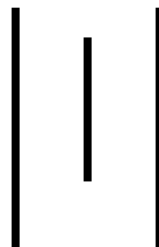


A THESIS SUBMITTED TO:

Office of the Dean

Faculty of Management

Tribhuvan University



In partial fulfillment of the requirements for the degree of

Masters of Business Studies (MBS)

Kathmandu, Nepal

MARCH 2012

RECOMMENDATION

This is to certify that the thesis:

Submitted By:

DHARMA RAJ BISTA

Entitled:

**A STUDY OF FUND ACCUMULATION AND MOBILIZATION CAPACITY OF
COMMERCIAL BANK**

Has been prepared as approved by thesis department in the prescribed format of faculty of management. This thesis is forwarded for examination.

.....
(Dr. Sushil Bhakta Mathema)
Head of research department
And
Thesis Supervisor

.....
(Madhab Prasad Neupane)
Campus Chief

.....
(Bhabuk Raj Neupane)
Thesis supervisor

Date:

VIVA-VOCE SHEET

Submitted By:

DHARMA RAJ BISTA

Entitled:

**A STUDY OF FUND ACCUMULATION AND MOBILIZATION CAPACITY OF
COMMERCIAL BANK**

We have conducted the viva-voce examination of the thesis and found the thesis to be the original work of the student written to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirement for the Master of Business Studies (MBS).

Viva –Voce committee

Head (Research Department).....

Member (Thesis supervisor)

Member (Thesis supervisor).....

Member (External Expert).....

DECLARATION

I hereby declare that the work reported in this thesis entitled “**A study of fund accumulation and mobilization capacity of commercial bank**” with respect with Everest Bank Ltd, Bank of Kathmandu Ltd, Nepal Investment Bank ltd. and Nepal Industrial and Commercial Bank Ltd. Submitted to office of the Dean , Faculty of Management, Tribhuvan University , is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of Prof. Bhabuk raj Neupane of Nepal Commerce Campus, T.U.

.....
Dharma Raj Bista
Nepal Commerce Campus
Campus Roll No.: 246/2064
T.U. Regd. No: 7-1-252-58-2002
Exam Symbol No.: 250161/066

ACKNOWLEDGEMENT

I am very much pleased to present myself as a researcher of this work as partial fulfillment of the requirement for the degree of Master of Business Studies. Accomplishment of this dissertation reflected a tremendous sense of freedom from attending any of the painstaking college lecture and academic examinations - as a layman state, a full stop in study. On the other hand, completion of this thesis encouraged me to undertake new ventures on original researches in the financial literature.

I would like to thank my supervisors Dr. Sushil Bhakta Mathema and *Mr. Bhabuk Raj Neupane* Reader of Nepal Commerce Campus, for guiding me and for their everlasting encouragement, guidance and support in completing this thesis.

I would like to thank all the staff of Everest Bank, Bank of Kathmandu, Nepal Investment Bank and Nepal Industrial and Commercial Bank for providing me the reference materials and especially thanks to *Mr. Santosh Bhattra*, *Sabitri Adhikari* of Everest Bank Limited, B/O New Baneshwor for unstopping Guidance, invaluable suggestions, inspirations and cooperation in spite of their busy schedule.

Thanks are due to my friends, *Amar Ghimire, Anil Karki, Susan Timila* and *all the staff members of Everest Bank Ltd* for their unstopping cooperation and encouragement

Lastly, thanks are to all those individuals and organization that have helped me directly or indirectly in completion of this thesis

Last but not least, it would be my selfishness if I were not indebted to my parents for their intolerable hardships to uplift me to this stage

Dharma Raj Bista

TABLE OF CONTENTS

Recommendation	
Viva-Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	

Page No.

CHAPTER- I INTRODUCTION

1.1 Background of the Study	1
1.1.1 General Background of Banks in Nepal	3
1.1.2 History of Banking Development	3
1.2 Profiles of the Banks under Study	7
1.3 Focus of the Study	9
1.4 Statement of the Problem	10
1.5 Objective of the Study	11
1.6 Significance of the Study	12
1.7 Limitation of the Study	12
1.8 Organization of the Study	13

CHAPTER- II REVIEW OF LITERATURE

2.1 Conceptual Review	16
2.1.1 Concept of Commercial Bank	16
2.1.2 Role of Commercial Banks in Nepal	18
2.1.3 Functions of Commercial Banks	20
2.1.4 Credit Creation by Commercial Banks	22
2.1.5 Resources of Nepalese Commercial Banks	24

2.1.6 Concept of Deposit	25
2.1.7 Types of Deposits	26
2.1.8 Importance of Deposit	28
2.1.9 Deposits Mobilization	28
2.1.10 Need for Deposits Mobilization	31
2.2.1 Review of Articles	32
2.2.2 Review of Dissertations	40

CHAPTER – III RESEARCH METHODOLOGY

3.1 Research Design	49
3.2 Sources of Data	49
3.3 Population and Samples of the Study	50
3.4 Method of Analysis	50
3.5 Necessary tools and Techniques for the Study	51
3.5.1 Financial Tools	51
3.5.2 Statistical tools	55

CHAPTER –IV PRESENTATION AND ANALYSIS OF DATA

4.1 Ratios Analysis	61
4.1.1 Liquidity Ratios Analysis	62
4.1.2 Assets management Ratios	63
4.1.3 Profitability Ratios	66
4.1.4 Growth Ratios	68
4.2 Correlation	75
4.3 Test of Hypothesis	80
4.3.1 Test of Hypothesis on investment of BOK and Total Deposit of Commercial Banking System	81
4.3.2 Test of Hypothesis on investment of NIB and Total Deposit of Commercial Banking System	83

4.3.3	Test of Hypothesis on investment of EBL and Total Deposit of Commercial Banking System	84
4.3.4	Test of Hypothesis on investment of NIC and Total Deposit of Commercial Banking System	86
4.3.5	Test of Hypothesis on Loan and Advance of BOK to Deposit Ration of Commercial Banking System	87
4.3.6	Test of Hypothesis on Loan and Advance of NIB to Deposit Ration of Commercial Banking System	89
4.3.7	Test of Hypothesis on Loan and Advance of NIC to Deposit Ration of Commercial Banking System	91
4.3.8	Test of Hypothesis on Loan and Advance of EBL to Deposit Ration of Commercial Banking System	93
4.4	Statistical Analysis	94
4.4.1	Analysis of Coefficient of Correlations	95
4.5	Major Findings	96

CHAPTER – V SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1	Summary	102
5.2	Conclusion	103
5.3	Recommendations	104

Bibliography

Appendices

LIST OF TABLES

<u>Table No</u>	<u>Title of Table</u>	<u>Page No</u>
1.1	List of Commercial Banks in Nepal	6
4.1	Cash and Bank Balance to Total Deposit	62
4.2	Loan and Advances to Total Deposit Ratio	64
4.3	Total Investment to Total Deposit Ratio	65
4.4	Return on Loan and Advances Ratio	67
4.5	Growth of Loan and Advance	69
4.6	Growth of Deposit	70
4.7	Growth of Investment	72
4.8	Growth of Return	74
4.9	Analysis of Correlation Coefficient between Deposit and total Investment	76
4.10	Analysis of Correlation Coefficient between Deposit and Profit	77
4.11	Analysis of Correlation Coefficient Between Total Assests and Loan and Advance	79
4.12	Test of Hypothesis on Investment to Total Deposit Ratio of BOK	81
4.13	Test of Hypothesis on Investment to Total Deposit Ratio of NIB	83
4.14	Test of Hypothesis on Investment to Total Deposit Ratio of EBL	84
4.15	Test of Hypothesis on Investment to Total Deposit Ratio of NIC	86
4.16	Test of Hypothesis on Loan and Advance to Total Deposit Ratio of BOK	87

4.17	Test of Hypothesis on Loan and Advance to Total Deposit Ratio of NIB	89
4.18	Test of Hypothesis on Loan and Advance to Total Deposit Ratio of NIC	91
4.19	Test of Hypothesis on Loan and Advance to Total Deposit Ratio of EBL	93

LIST OF FIGURES

<u>Figure No</u>	<u>Title of Figures</u>	<u>Page No</u>
4.1	Cash and Bank Balance to Total Deposit	63
4.2	Loan and Advances to Total Deposit Ratio	65
4.3	Total Investment to Total Deposit Ratio	66
4.4	Return on Loan and Advances Ratio	68
4.5	Growth of Loan and Advance	70
4.6	Growth of Deposit	72
4.7	Growth of Investment	73
4.8	Growth of Return	75

ABBREVIATIONS

AGM	:	Annual General Meeting
ALCO	:	Asset Liabilities Management Committee
BOD	:	Board of Directors
BOK	:	Bank of Kathmandu Ltd
CAR	:	Capital Adequacy Ratio
CPG	:	Credit Policy Guidelines
EBL	:	Everest Bank Ltd
FY	:	Fiscal Year
GBP	:	Gross Domestic Product
IRR	:	Interest Rate Risk
LLP	:	Loan Loss Provision
Ltd.	:	Limited
MBA	:	Masters of Business Administration
MBS	:	Masters of Business Studies
MOF	:	Ministry of Finance
NCC	:	Nepal Commerce Campus
NIB	:	Nepal Investment Bank Ltd
NIC	:	Nepal Industrial and Commerce Bank Ltd
NRB	:	Nepal Rastra Bank
RTS	:	Registrar to Share
S.D.	:	Standard Deviation
SD	:	Standard Deviation
SEBON	:	Securities Board, Nepal
SEC	:	Stock Exchange Center
TU	:	Tribhuvan University