CHAPTER I
INTRODUCTION

1.1 Background of the Study

Deposit is one of the most important sources of the commercial bank." Deposit "an account with a bank or other financial institution such as a building society in the UK. Deposit may be on current account UK or checking account or sight deposit US, which bear no interest and can be withdrawn on demand, or deposit accounts UK or saving account or time deposits US which bear interest but require notice of withdrawal. In recent years new types of account have blurred *(Oxford dictionary of economics, 2004, 116).*

It is important that the commercial banks deposit policy is the most essential policy for its existences. The growth of banks depends primarily upon the growth of its deposit. The volume of funds that management will use for creating income, through loans and investment is determined largely by the bank policy governing deposits. When the policy is restrictive, the growth of bank is restarted or accelerated with the liberalization in the deposit policy. In banking business the volume of credit extension much depends upon the deposit base of a bank." The deposit creating power of commercial banks forces to raise the assets along with the liabilities side of the balance sheet. In other words, assets give raise to liabilities. Traditionally, the deposit structure of a commercial bank was thought to be determined by the depositors and not by bank management. There are regular changes in this view in the modern banking industry *"(Vidy, 1999: 68).*

Thus, banks have evolved from relatively passive acceptors of deposits to active bidder for funds. Deposits are one of the aspects of the bank liabilities that management has been influencing through deliberate action.

"Bank deposits arise in two ways the first when the banker receives cash & credits a customer's a/c, it is known as a primary or a simple deposit. Such primary deposits are

made from the initiative of depositors. The second, when banks advance loans, discount bills, provide overdraft facilities; make investments through bonds & securities. This is called derived deposits of derivative deposits. They add to the supply of money. Banks actively create such deposits *"(The Encyclopedia Britannica, 1981, 700).*

1.2 History of Commercial Banks in Nepal

Commercial Bank Act, 2031 BS of Nepal has defined commercial bank as an organization which exchanges money, accepts, grants loans and performs commercial banking functions and which is not a bank meant for co-operative, agriculture, industries or for such specific purpose. As per Banking and Financial Institution Act (BAFIA) commercial bank is defined as any financial institution that is operate under section 47(1) of BAFIA-2063.

It is fact that financial sector plays a vital role for the economic development of a country. Even before the establishment of a banking system in Nepal financial transaction was in practice as undertaken by some moneylenders like sahu-mahajans, jamindars, relatives, friends, and few informal organization limited to ethnic group such as guthi. The borrowing from the other people and the informal organization was limited and based on personal understanding. At that time people deposit their gold, silver, and valuable goods for the sake of security. Thus, the private moneylender can be taken as forerunner of the concept of financial institution.

Nepal has been ruled over by many rulers like Kirati, Lichchhavi, Mall, Ranas and Shahs. Mostly Kirati, Lichhavi, and Mall regimes were concerned with the construction of temples, pati, pouwa, chautari etc. At that period neither the people nor the government were interested to think about the economic development of the country. According to ancient "Vanshavali" in fourteenth century, the ruler of the then Kathmandu Jaysthiti Malla segregated the local domiciles into 64 different classes according to profession they had undertaken. Tankadhari was one of those classes who used to deal in coins and precious metals such as gold. These Tankadharis were said to have carried out the

borrowings and lending on money (coins). Hence, Tankadharis can be regarded as the traditional bankers of Nepal (Singh & Khadka, 2056: 142).

No financial institutions were established over a long period due to political reasons. To fulfill the growing need of economy on Nepal, banking activities were performed only after the establishment of Nepal Bank Ltd in 1994 B.S. as the first commercial bank of Nepal. This bank was establishment under Nepal Bank Act 1994 B.S. (1983 A.D.)

Nepal Rastra Bank established in Baisakh 14, 2013 B.S. (1956 A.D.) under Nepal Rastra Bank Act 2012 B.S. (1955 A.D.) as the central bank of Nepal. It is totally owned by government, NRB is heavily assisting for the development of whole economy. It is giving timely directives to all financial institutions operated and conducted in all over the country.

The government introduced Commercial Bank Act in Nepal in 2033 B.S. to cover the vast field of financial sector. This act has helped to emerge number of commercial bank with a view to maintain the economic interest in comfort of the public in general facilitated to provide loan for agriculture, industry, and trade and make a available banking services to the country and people.

Along vacuum in the banking sector got some rays of hope only when the government forwarded the economic liberalization policy in 2039 B.S. and decided to allow foreign banks to operate their activities in Nepal in "joint-venture model". "Joint venture banks can be defined as an association of two or more parties having common objectives and goals so as to get maximum satisfaction. Basically at that time, it was envisioned that joint-venture banks (JVBS) would support the country in various ways" (Singh and Khadka, 1999: 25)

Table 1.1 List of commercial banks

No.	Banks
1	Nepal Bank Limited
2	Rastriya Banijya Bank Limited
3	Agriculture Development Bank Limited
4	Nabil Bank Limited
5	Nepal Investment bank Limited
6	Standard Chartered Bank limited
7	Himalayan Bank Limited
8	Nepal SBI Bank Limited
9	Nepal Bangladesh Bank Limited
10	Everest Bank Limited
11	Bank Of Kathmandu Limited
12	Nepal Credit and Commerce Bank Limited
13	Lumbini Bank Limited
14	NIC Asia Bank Limited
15	Machhapuchchhre Bank Limited
16	Kumari Bank Limited
17	Laxmi Bank Limited
18	Siddhartha Bank Limited
19	Global IME Bank Limited
20	Citizens Bank International Limited
21	Prime Commercial Bank Limited
22	Sunrise Bank Limited
23	Grand Bank Nepal Limited
24	NMB Bank Limited (Nepal)
25	Prabhu Bank Limited
26	Janata Bank Nepal Limited
27	Mega Bank Nepal Limited
28	Civil Bank Limited
29	Century Commercial Bank Limited
30	Sanima Bank Limited

Source: www.nrb.gov.np

1.3 Brief Introductions of Sample Banks

Standard Chartered Bank Nepal Ltd.

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today the Bank is an integral part of Standard Chartered Group having an ownership of 75% in the company with 25% shares owned by the Nepalese public. The Bank enjoys the status of the largest international bank currently operating in Nepal.

Standard Chartered has a history of over 150 years in banking and operates in many of the world's fastest-growing markets with an extensive global network of over 1750 branches (including subsidiaries, associates and joint ventures) in over 70 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the Americas. As one of the world's most international banks, Standard Chartered employs almost 75,000 people, representing over 115 nationalities, worldwide. This diversity lies at the heart of the Bank's values and supports the Bank's growth as the world increasingly becomes one market. (www.nepalstock.com)

With points of representation 20 ATMs across the country and with more than 350 local staff, Standard Chartered Bank Nepal Ltd. is in a position to serve its customers through an extensive domestic network. In addition, the global network of Standard Chartered Group gives the Bank a unique opportunity to provide truly international banking services in Nepal, tota 29 ATMs are. (Johnson: 1965:11).

Corporate Social Responsibility is an integral part of Standard Chartered's ambition to become the world's best international bank and is the mainstay of the Bank's values. The Bank believes in delivering shareholder value in a socially, ethically an environmentally responsible manner. Standard Chartered throughout its long history has played an active role in supporting those communities in which its customers and staff live. It concentrates on projects that assist children, particularly in the areas of health and education. Environmental projects are also occasionally considered. It supports non-governmental organisations involving charitable community activities The Group launched two major

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initiatives in 2003 under its 'Believing in Life' campaign- 'Living with HIV/AIDS' and 'Seeing is Believing'.

Nepal Bank Ltd.

Nepal Bank Limited, The first bank of Nepal was established in November 15, 1937 A.D (Kartik, 30, 1994). It was formed under the principle of Joint venture (Joint venture between govt. & general public). NBL's authorized capital was Rs. 10 million & issued capital Rs. 2.5 million of which paid-up capital was Rs. 842 thousand with 10 shareholders. The bank has been providing banking through its branch offices in the different geographical locations of the country**.** (www.nbl.com.np)

Nepal Bank Limited seeks to provide an environment within which the bank can bring unique financial value and services to all customers. It will be a sound institution where depositors continue to have faith in the security of their funds and receive reasonable returns; borrowers are assured of appropriate credit facilities at reasonable prices; other service- seekers receive prompt and attentive service at reasonable cost; employees are paid adequate compensation with professional career growth opportunities and stockholders receive satisfactory return for their investment. (Vaish*: 1993:245).*

1.4 Focus of the Study

This study focuses on the history of the deposit mobilization of two sampled banks NBL and SCBNL. This study is made the special aim of observing the deposit mobilization position Nepal.The deposit mobilization position of NBL representing the government owned commercial bank and SCBNL representing the private sector commercial bank. Therefore the study certainly focuses on the elements related to deposit mobilization. The study focuses on the comparative analysis of efficiency of deposit mobilization of the two sampled banks.

1.5 Statement of the Problem

Within the sphere of the proposed study, there exist a considerable number of problems regarding the commercial banks, services they offer such as different deposit types, their

features etc., and their relationship with customers. For example: It's said that banks are not being able to fully utilize their deposits fund in to productive sectors. In other words, they are said to be more focused on retail banking rather than in corporate banking. Similarly, banks are holding major portion of their deposits liabilities as the cost bearing deposits. Likewise, it can be generalized that banks are not being able to manage their liquid assets efficiently. Precisely, these problems could be numerically categorized into the following four broad groups, and they are being explained as well. The recent trend observed in banking industry is that they have not been able to fully utilize their deposit fund by mobilizing it into productive sectors. Due to the deteriorating economic scenario, management of the banks, and the attitude of the board of directors, they have been able to lend about 70 percent of total deposits only. Referring to the Banks' composition of deposit liabilities, it can be said that they are holding too much of cost bearing deposits.

Similarly, out of the two sampled banks, the government owned NBL had cost bearing deposits rate more in comparison to SCBNL in the past. But, after the new management policy been adopted by NBL, the rate is gradually slowing down. There are some rules and regulations prescribed by the central bank such as the recent one which compels the banks to issue their capital equal to a billion rupees. However, banks' loan investments, capital structures, existing management slacks etc. do not represent that the public funds deposited at the banks are safe.

- How does the deposit collection different sector of the SCBL and NBL Commercial Banks.
- Does substitution effect is practical in the context of Nepal or not? In other words what is the effect of high interest rate on savings (deposits)?
- Are borrowers of Nepalese market sensitive to the deposit of credit?
  How observe the deposit mobilization position of government owned commercial bank, NBL and private sector commercial bank, SCBNL?

In the contents of above backgrounds this study is attempted to fulfill the gap of deposit mobilization practices in Nepalese Commercial banks under study.

1.6 Objectives of the Study

Banks provide both the deposit and credit services to the public. They accept the funds from the savers as deposits and lend the funds to the fund seekers in the economy. Therefore, banks can run effectively and efficiently only if they can mobilize their deposits fund at their prescribed area and realize those disbursed amounts timely. In totality, the proposed study aims to analyze how far the banks have been able to achieve these objectives.

The basic purposes of this study are:

- To analyze the financial factors like efficiency and profitability position in relation to deposit mobilization of commercial banks.
- To observe the deposit mobilization position of government owned commercial bank, NBL and private sector commercial bank, SCBNL.
- To observe the trend of deposit and loan investment.
- To provide necessary suggestions and recommendations for further improvement.

1.7 Significance of the Study

The quality and coverage of a bank's fund mobilizing policy reflects the degree of healthiness of the bank and eventually the national economy. In order to accomplish the optimum utilization of the scarce economic resource, the capital, banks must successfully formulate their fund mobilizing policy and effectively implement it as well. So, the role of commercial banks in supplying the credit in the economy is vital.

The proposed study is believed to be beneficial for a number of individuals, groups, and organizations directly or indirectly. Some of the direct beneficiaries of the study could be named as lenders, creditors, investors, and depositors of the banks. However, borrowers can also achieve some sort of advantages from the study. These beneficiaries and the kind of benefits they receive from the proposed study are being explained as follows:

- Investors
- Depositors
- Borrowers

- Policy Makers
- Future Researchers

1.8 Limitations of the Study

The study has focused on its objective to observe the deposit mobilization position of commercial banks. As the study is more objective and is made for the fulfillment of academic requirement, it posses numbers of limitations. Some specific limitations are as follows:

- The research work will be made on the basis of latest five
  Year's data from fiscal year 2008/09 to 2012/013.
- Simple statistical and financial tools are used for the analysis.
- Study is made on the basis of secondary data only.

1.9 Organization of the Study

This unit considers the total considerations of the research report. This study is organized on five chapters. These five chapters consider:

1. Introduction

The first chapter includes the introduction of the study that considers the background of the study, historical development of commercial bank in Nepal, statement of problem, significance of the study, objective of the study, focus of the study, limitation of the study, and the organization of the study.

2. Review of Literature

The second chapter includes the conceptual review and review of related studies. Conceptual review considers the study of books and other publications related to the concept of commercial bank, concept of deposit and concept of deposit mobilization. And the review of related studies includes the study of past studies made on the deposit related topics especially the studies related to the deposit mobilization of commercial banks.

3. Research Methodology

This chapter contains the tools and techniques applied on the study. The financial and statistical tools which are used for the analysis and presentation of data are described in this chapter.

4. Presentation and analysis of data

This contains the presentation of data and analysis of the data that specify the findings of the study. Data are presented on the basis of objective of the study. This chapter contains the major findings of the study too. It helps the searcher to find out what is going on about the deposit mobilization in Nepal and selected commercial banks.

5. Summaries, Conclusions and Recommendation

This chapter of the study contains summary of the study, conclusion of the study and some recommendations to the related banks and policy makers for making the deposit mobilization position of related banks.

CHAPTER- II
REVIEW OF LITERATURE

Review of Literature means the study of relevant topics in the related field of research or reviewing related research studies and findings such that all past studies, theirs conclusion and deficiencies may be known and further research can be done. In the course of research review of the existing literature would helps to check the chances of duplication in the present study. The review of literature is divided into two headings. This chapter highlights and deals with the literature relevant to this study. The study is based on past knowledge. The previous studies can not be ignored because they provide the foundation to the present study. In other word, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past research studies. It includes review of supportive text, review of legislation related to commercial banks and review of thesis. Literature Review is basically a "Stock Taking" of available literature in ones field of research. The literature survey thus provides us with the knowledge of the status of their field of research. Therefore, this chapter has its own important in the study (Wolf and Pant, 2000:30).

- Conceptual Review
- Review of related Studies

2.1 Conceptual Frame Work

To develop the concept and ideas about the selected topic, the review of relevant material is very important and crucial. In fact, review of literature begins with a search for a suitable topic and continuous throughout the duration of the research, either a dissertation of a thesis. Review of literature means reviewing research studies or other relevant propositions in the related areas of the study so that all the past studies, their conclusion ad deficiencies may be known and further search can be conducted.

It is an integral and mandatory process in research works. It deals with a literature survey of existing volumes of similar or related subjects and a careful check should be made that the purposed study has not carried out previously. Completely new and original problems

are very rare, however a previous study should not exactly replicable unless the techniques used facilitate to trace out the doubtful conclusions or some new sources of information identified. So, in this chapter, the emphasis is given to review of major relevant literature on the deposit liabilities and their analyses. Different definitions or opinions expressed by experts in respect of deposit mobilization are considered to be relevant for the proposed study. Similarly, this chapter also sheds light on some of the rules and regulations prescribed by the central bank regarding the commercial banks' deposit liabilities and their mobilization aspects.

This chapter is basically concerned with review of literature relevant to the topic "Deposit Mobilization of SCBNL and NBL". Every study is very much based on past knowledge. The previous studies cannot be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the past studies.

Conceptual Review

An attempt has been made to look in to a number of related books and the bank publications, especially of those related to the deposits collection and mobilization aspects, and central bank's rules and regulations that abide the commercial banks on this regard. In addition, some sort of personal intuition has also been made.

2.1.1 Concept of Commercial Bank

"A Bank is a business organization that receives and holds deposits of funds from others make loans or extends credits and transfer funds by written order of depositors" *(Encyclopedia America 1984-85, vol.13, 302).*

"A Commercial banker is a dealer in money and substitutes for money, such as cheque or bill of exchange. It also provides a variety of financial services" *(The New Encyclopedia Britannica, 1985 vol. 14, 605).*

"Commercial bank" a bank dealing with the general public, accepting deposit from and making loans to large numbers of household and small firms. Such banks are known in the UK as retail or high street banks. They also provide various services for depositors, including provision of cash and credit cards, storage facilities for valuables and documents, foreign exchange, stock rocking, mortgage finance and executor services. Commercial banks are contrasted with central banks, and with investment, merchant and other specialist banks which deal little with the general public *"(Oxford dictionary of economics 2004,: 65).*

"The American institute of banking has laid down for functions of the commercial banks i.e. Receiving and handling deposits handling payment for its clients, granting loans and investment and creating money by extension of credit" *(Encyclopedia America 1984-85, vol.14, 605).* Principally, commercial bank accepts deposits and provides loans, primarily to business firms thereby facilitating the transfer of funds on the economy. In the Nepalese context, *commercial bank act, 1974* defines "a commercial bank as one which exchanges money, deposits money accepts deposits, grants loans, and performs commercial banking functions".

The term commercial bank is also misleading because the fact that commercial bank performs not only one but many type of functions. Today the commercial banks not only issue the transfer deposits through cheques but they also operate underwriters to new equity issue deal facilities handle tax matters on behalf of their clients etc" *(Vaish, 1993, 245).*

A commercial bank can be defined as an institution which deals in money in words of Crowther "Banks collect money from those who have it to spar or who are saving it out of their income and lend this money out against goods security to those who requires it" *(Crowther, 1985, 58).*

"Commercial banks are those who pool together the savings of the community and arrange for their productive use. They supply the financial need of modern business by

various means. They accept deposits from the public on the condition that they are repayable on demand of on short notice. Commercial banks are restricted to invest their funds in corporate securities. Their business is confined to financing the short term needs of trade and industry such as working capital financing. They cannot finance in fixed assets. They grant loans in the form of cash credits and overdrafts. "Accepting the financing, the Bank also renders services like collection of bills and cheques, safe keeping of valuables, financial advising etc. to their customers" *(Vaidya, 2001, 38).*

2.1.2 Theoretical Framework of the Study

The theoretical framework of this study consists of the Introduction of commercial banks along with their role, needs and functions. The research as has been done with an aim to analyze the deposit mobilization of commercial banks deals mainly with the sources and uses of funds by the sample commercial banks. This research has been done with a focus of certain weaknesses of the commercial banks regarding their sources and uses of funds. Precisely, these problems could be numerically categorized into the following four broad groups, and they are being explained as well.

I. Banks Have Not Been Able to Utilize Their Deposits Efficiently:

The recent trend observed in banking industry is that they have not been able to fully utilize their deposit fund by mobilizing it into productive sectors. Due to the deteriorating economic scenario, management of the banks, and the attitude of the board of directors, they have been able to lend about 60 percent of total deposits only.

II. Portion of Cost Bearing Deposits to Total Deposits is high

Referring to the Banks' composition of deposit liabilities, it can be said that they are holding too much of cost bearing deposits.

III. Safety of the Public Funds

Banks are merely the financial intermediaries that accept the deposits from the savers and invest or lend the funds to the funds seekers in the economy. Therefore, issues related to the banks' investments, and lending certainly affect the Protection of funds deposited by

the savers. Definitely, there are some rules and regulations prescribed by the central bank such as the recent one which compels the banks to issue their capital equal to a billion rupees. However, banks' loan investments, capital structures, existing management slacks etc. do not represent that the public funds deposited at the banks are safe.

2.1.3 Functions of Commercial Bank

Commercial Banks are directly related with the people. Commercial Bank is an important bank. Its functions are very attractive for people. Although these banks are truly inspired with the objectives of gaining profit, here Commercial Banks are also established to accelerate common people's economic welfare & facility, to make available loan to Agriculture, Industry & Commerce & to provide the banking services to the public & the state. Along with other functions, the main functions of commercial banks are to accept deposits from the people & to lend to those who demand it. Numerically, these functions could be categorized into the following functions:

- Liquidity Function
- Savings Function
- Wealth Function
- Payment Function
- Credit Function
- Policy Function

2.1.4 Credit Creation by Commercial Banks

The creation of credit or deposit is one of the most important functions of commercial banks. Bankers are dealer of money who deal others people's money. Banks generate profits by accepting cash through demand deposits and advance loan on credit to customers. When a bank advances a loan, it does not pay the amount in cash. But it opens a current account in his name and allows him to withdraw the required sum by checks. But very often, the customer retains certain amount with the bank in a deposit. In this way, the bank creates credit on deposits the process is explained how the credit is created by the help of deposits.

In the modern banking industry, actual cash withdraws from the deposit are very negligible. The bank usually synchronizes the withdrawals and deposits from their past experiences. Thus a bank lends a large part of the money he receives in deposits. If the bank hac more primary deposit, he can lend more keeping small cash in reserve day to day transactions. The bank knows the customers will withdraw money by cheques which will be deposited by his creditors in the same bank or some other bank where they have their accounts. Such cheques which are deposited in others bank are settled through clearing houses. The same procedure is follows in other banks. In this way, the bank is able to create credit or deposit by keeping small cash in reserves & lending the remaining amount. Therefore, the loans make an increase in the total amount of deposits. These deposits are called derived deposits.

On the other hand, when a bank advances money by discounting a bill of exchange, the proceeds of the bill are credited to the customer's account. The deposits of the customers will then increase. More deposit can make more lending by banks. This is also one of the ways of creating credit.

We know that the bank provides overdraft facility to a customer on the basis of some security. The bank enters the amount of the overdraft in the existing account of the customers & the customer is allowed to overdraw his account up to the fixed limit subject to the condition that the amount overdrawn from time to time is more than fully covered by the market value of the securities lodged with the bank. The amount may be used to buy goods & services. He can make payment by issuing cheques in settlement of his transactions. This process gives the bank an additional supply of money which did not exist before. "A bank also creates a deposit by making investments by buying government bonds& securities. The bank pays for the bond through a cheque on itself to the central bank. If it buys security from others, it creates the amount in the account of the seller, provided he is the bank's customers. Otherwise it pays by cheque which is deposited in some other bank. In all such cases, liabilities & assets in the banking system on the whole are increased. Thus loans by create deposits or credit is created by banks" *(Vidya, 2001, 42-44).*

When funds are plentiful, market rate generally tend to decline, banks seek loan aggressively & therefore lower their rates induce marginal borrower to come into the market. When funds are scarce banks arise their rates & come potential borrower may differ the use of credit or seek it elsewhere.

Some writers stress on the fulfillment of credit needs of various sectors which insure investment. The investment lending policy of commercial bank is based on the profit maximization as well as the enhancement of the country.

2.1.5 Resources of Nepalese Commercial Banks

Commercial banks may have various resources but the most important three sources for their daily operation and further advancing are as follows:

I. Capital

So for as the capital funds are concerned, it is only a nominal source. Therefore it cannot be used for investment purpose. This capital fund consists of two elements; paid of capital and general reserve.

II. Deposits

Deposits are the main resources of commercial banks for issuing loans. Deposits are received from various forms and on the name of different accounts. There are mainly three types of deposits: current, saving and fixed. In a developing country like Nepal, where the majority of the people are still poor, saving deposits have played a significant role for the development of the country. Therefore the main source of raising capital is saving deposits. "The deposit function of the banker is important because it has to aggregate small sum of money lying scattered here and there twenties, fifties and hundred. Singly these sums have no economic efficiency what so ever but they can accomplish Herculean tasks when they are aggregate and employed by the banker*" (Roland, 1962, 20).*

III. Internal and External Borrowing

Internal and external borrowings are very important for a developing country like Nepal being and underdeveloped country; commercial bank cannot fulfill the necessities of the society. Therefore commercial banks are allowed to borrow from both two sources external and internal. Generally external borrowing means the borrowing from foreign banks, foreign government, international banks for reconstruction and development (IBRD).Internal monetary fund (IMF)etc. internally commercial banks can borrow from only one source that is from NRB.

2.1.6 Types of Deposits

At the outset it is necessary to know what a deposit is. Commercial bank Act 2031, defines deposits is the amounts deposited in a current, saving or fixed a/c of a bank or financial institution. People in general, the businessmen; the industrialist & other individuals deposit money in a bank. Bank, flows such amount as loan & invest in different sectors to earn profit. Usually, a bank accepts three types of deposits. They are current, saving & fixed deposits. But in other countries we find more than three deposits. In Nepal, banks grant permission to their customers to open three types of a/c under various terms & conditions. This classification is made on different theoretical & financial basis. Therefore, deposits of bank are classified on the following basis:

i.Demand Deposits

ii.Saving Deposits

iii.Fixed deposits

I. Demand Deposits

The deposit in which an amount is immediately paid at the time of any a/c holder's demand is called demand deposits. In another words, we can say this type of demand deposit as current a/c. current a/c means an a/c of amounts deposited in a bank, which may be drawn at any time on demand. Its transaction is continual & such deposit can't be invested in the productive sector, so such type of amount remains as stock in the bank. Though the bank can't gain profit by investing it in new sector after taking from the customers, this facility is given to the customer. Therefore, the bank doesn't give interest

on this account. From such deposit, the merchant & traders are benefited more than the individual. The bank should pay as many times as the checks is sent until there is deposit in his a/c. the bank can't impose any condition & restrictions in demand deposit.   An institution or an individual, who usually needs money daily, precedes their acts & transaction through such deposit. The current a/c is very important for the customers of bank. (*Economic Growth and Commercial Banking: 2004*)

In any institution, which carries out cash transaction, there is possibility of corruption; misuses & fraud. There should be a provision of separate employees for the recovery of the cash & for the payment of the cash. The current a/c is necessary to collect and buy the bills, to use the facility of over-draft, letter of credit, remittance etc. Current deposit on the one hand, saves time & labor & on other hand, the bank keeps the accurate of the a/c holders, so it is a great facility for the customers. Therefore, it has a great importance.

II. Saving Deposits

The bank can collect capital through the saving deposit as well. This deposit is also important & its necessity & scope is not negligible. According to the Commercial bank Act 2031, saving accounts means an a/c of amounts deposited in a bank for savings purposes. This account is suitable & appropriate for the people of middle class, farmers and the labors who have low income, official & small businessmen. This saving deposit bears the features of both of the current & fixed period deposits. Generally, most accounts are opened saving deposit in a bank.

Therefore, the deposit is popular in people in general. According to internal rules or banks some banks demand a small amount & some banks demand a great deal of money to open saving account. Different banks have made different rules. Some banks have made one hundred thousand, some banks have made two hundred thousand, some have three hundred thousand, some have five hundred thousand & some have not fixed the limitation. So, there is divergence as to how much amount of money can be withdrawn. Banks give some interest on it.

III. Fixed Deposits

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

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

2.1.7 Deposits Mobilization

"Collecting scattered small amount of capital through different medias & investing the deposited fund in productive sector with a view to increase the income of the investor is meant deposit mobilization. In the other words, investing the collecting fund in the productive sectors & increasing the income of the investor, it also supports to increase the saving through the investment of increased extra amount*" (NRB, 1984 no.24: 10-12).*

When we discuss about deposit mobilization, "we are concerned with increasing the income of the low income group of people & to make them able to save more & to invest again the collected amount in the development activities. The main objective of Deposit Mobilization is to convert idle saving into active saving" *(NBL, 2037 N0.4, p: 7).*

Saving refers to that part of the total income which is more than the expenditure of the individual. In other words, saving = Total income – total expenditure. Basically saving can be divided into two parts: Voluntary saving & Compulsory Savings. Amount deposited in different accounts of Commercial Bank, investment in government securities

are some examples of voluntary saving. A commercial bank collects deposit through different accounts like fixed, saving & current.

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

To achieve the higher rate of growth and per capita income, economic development should be accelerated. "Economic development may be defined in a very broad sense as a process of raising income per head through the accumulation of capital but how capital can be accumulation in the development countries there are two ways one from the external and other from the internal sources. In the first gap foreign aid, loans and grants are the main. While in the later, financial institution operating within the country, play in a dominant role. In the context of Nepal, commercial bank is the main financial institution which can play very important role in the resource mobilization for the economic development in the country. Trade, industry, agriculture and commerce should be developed for the economic development. *(Johnson, 1965: 11)*

Economic development so defined is necessary and sufficient to generate rate of saving and investment. The generation of high rates of saving and there by investment is possible only through the commercial banks. Commercial banks occupies greater role in economic development by generating the saving towards the desired sectors from one place to another, communicating with its branches and agencies in different part of the country and the world and advising to the commercial people." Increasing the income of the low income group of people and making them able to save more, deposit mobilization helps to invest the collected deposit in desired sector*" (NRB, 1984, no.24: 25).*

The saving growth rate depends among others, on the level of country's per capita income and its growth rate, population growth rate, interest rate in saving or, on bank account, banking and financial facilities and net factor income etc. The national income is the measure of the nation from the economic activities. Saving is the excess if income over consumption. Investment is the expenditure made for the formation of fixed capital. Mobilization of saving implies transfer of resources from surplus spending unit to deficit units. In this connection, financial intermediaries play an important role in mobilizing of voluntary saving. The amount of saving of a typical household in Nepal is a small because the people have limited opportunities for investment. They prefer "to spend saving on commodities rather than on financial assets. These restricts the process of financial intermediation, which might otherwise bring such as reduction of investment risk and increase in liquidity when capital is highly mobile internally, saving from abroad can also finance the investment needed at home. When capital is not mobile internally, saving from abroad will limit investment at home.

Insurance of bank deposits, creation of proper atmosphere can increase deposits and the development of severity of capital markets with the help of banks will prove effective in mobilizing the available floating resources in the country *(Ghosal and Sharma, 1965, 92)*. Capital formation is possible through collecting scattered unproductive and small saving from the people. This collected fund can be utilized in productive sector to increase employment and national productivity. Deposit mobilization is the most dependable and important sources of capital formation *(RBB, 2055, No.4: 14)*. Banking transaction refers to the acceptance of deposits from the people for granting loan and advances, and returning the accepted deposit at demand or after the expiry of a certain period.

According to banking rules and regulations, this definition clearly states that Deposit mobilization is the starting point of banking transactions. Banking activities can be increase as much as we can mobilize the accumulated deposit effectively.

Deposit, such as current, saving and fixed are the main part of the working Capital. it is due to this reason that banks keep their deposit mobilization campaign always in full swing taking resort every possible means laying at their deposal. "A Commercial bank changes the scattered unproductive small saving into Lon able & active savings. The bank not only collect saving, but also it provides incentives to the saver & help them to be able to save more" *(RBB, 2054, No.3, 15)*. Commercial banks are set up with a view to mobilize national resources. The first condition of National Economic Development is to be able to collect more & more deposit. In this context, the yearly increasing rate of commercial banks deposit clearly shows the satisfactory progress of deposit mobilization.

2.1.8 Need for Deposits Mobilization

The following are some reasons for why Deposit Mobilization is needed in a developing country like Nepal. Workshop report "Deposit Mobilization why & how" Group "A" states the following points as the need for deposit mobilization *(NRB, 1984, No.24, 10-12)*.

Capital is needed for the development of any sector of the country. The objective of Deposit Mobilization is to collect the scattered capital in different forms within the country. It is much more important to canalize the collected deposit in the priority sector of a country. In our developing country's we have to promote our business & other sectors by investing the accumulated capital towards productive sectors. The need of deposit mobilization is felt to control unnecessary expenditure. If there is no saving, the extra money that the people have, can flow forwards buying unnecessary & luxury goods. So, the government also should help to collect more deposit, steeping legal procedures to control unnecessary expenditures. Commercial banks are playing a vital role for National Development. Deposit mobilization is necessary to increase their activities. Commercial banks are granting loan not only in productive sectors, but also in other sectors like food grains, gold & silver etc. though these loans are traditional in nature & are not helpful to increase productivity, but it helps, to some extent, to mobilize bank deposit.

To increase saving is to mobilize deposit. It is because if the production of agricultural & industrial products increases, it gives additional income, which helps to save more, & ultimately it plays a good role in deposit mobilization. Deposit mobilization plays a vital role for the economic development of an under developed & developing country, rather than developed on e. it is because, a developed country does not feel the need of deposit mobilization for Under Developed Country (UDC) & developing country.

Deposit mobilization plays a great role in such countries. Low National Income, Low per Capita Income, lack of technical know, vicious cycle of poverty, lack of irrigation & fertilizer, pressure of population increase, geographical condition etc. are the main problem of Economic Development of an UDC like Nepal. So far the developments of these sectors concerned, there is needs of more capital. Again, instead of the development of a particular sector, the development of every sector should go side by side. So, the development process of these sectors on one side & to accumulate the scattered & unproductive sectors deposit on the other is the felt need of an UDC. We can take this in our country's present context.

2.2. Review of the Related Studies

This part consists of a review of past studies conducted by other researchers which are relevant to the topic.

2.2.1 Review of Article

Joshi (2008), in the topic *"Rural Saving Mobilization in Nepal"* states that: The ability to save the incentive to save is the two major determinants of saving. The incentive to save as reflected in NRB real interest rate policy can be stretched for with profit. It is highly probable that the further increase in the growth rate of financial saving can materialize if a flexible policy is pursued to keep real interest rate at a positive level.

Eventually the deposit expansion is to be bounded constrained by the low saving ability of the people as indicated by stagnant per capita GDP over the past decade. For a sustained growth of deposits or of overall saving rate what is needed more is to increase

the income level of the people in order therefore to make saving mobilization strategy effective & successful policy measures should be taken considering two aspects of the strategy. In short run, policy should focus on the appropriate steps to tap saving within the existing banking framework while the long run measures should be adopted with a review to raising the investment rate & making it more productive.

The researchers furthers suggest the following points to increase and to extend volume of credit;

- Effective publicity and attractive prizes.
- Branch expansion policy.
- Extend the house saving account.
- Revision in interest rate policy.
- Credit planning.
- Win the confidence of local people.
- Investment in priority sector.

Gautam (2009), through his article, *"Monetary Policy and Deposit Mobilization in Nepal"* has concluded that the mobilization of domestic savings is one of the monetary policies in Nepal. For this purposes commercial banks stood as the vital & active financial intermediary for generating resources in the form of deposit of the private sector so for proving credit to the investor's in different aspects of economy.

Shrestha (2010), in his article, *"Deposit Mobilization, its Problems and Prospects"* has presented that deposit is the life-blood of every financial institutions, like commercial bank, finance company, and co-operative or non-government organization. He further adds in consideration of most of banks and finance companies, the latest figure dopes produce a strong feeling that serious review must be made of problems and prospects of deposit sector. Leaving few joint venture banks, other organizations rely heavily, on the business deposit and credit disbursement

The writer has highlighted following problems of deposit mobilization in Nepalese context.

- Most of the Nepalese do not go for saving in institutional manner, due to the lack of good knowledge. However, they are very much used of saving be it in the form of cash or ornaments. Their reluctance to deal with institutional system is governed by the lower level of understanding about financial organization process, withdrawn system, and availability of deposing facilities and so on.
- Unavailability of the institutional services in rural areas.
- Due to lesser office hours of banking systems people prefers holding and cash in the personal possession.
- No more mobilization and improvement of the employment of deposits and loan sectors.

The writer has also recommended for the prosperity of deposit mobilization which are as follows;

- By providing sufficient institutional services in the rural areas.
- By cultivating the habit of using rural banking unit.
- By adding services hour system to bank.
- NRB could also organize training programs to develop skilled man power.
- By spreading co- operative to the rural areas for development
   of mini-branch services to these backward areas**.**

Poudel (2011), in his article, *"financial policies to prevent financial crisis"* has given more emphasis on Nepalese financial market sector. He has mention the financial crisis occurred in China, Mexico, South Asia, Russian Federation Ecuador, Brazil & Argentina. This crisis affected all this economic by posing negative effect in their real output. He has also focused on Nepalese financial market, which is directly affected by the national and international events. The most effected event was September 11 incident in the U.S.A., have added more to the fragility in the global financial market. In present context in many part of the world, the move towards liberalization is getting its momentum on one hand and process of economic development is being threatened due to various anticipated incidents on the other. He has define a financial crisis is a description to financial markets

in which adverse selection and moral hazard problems become much worse, so that financial markets are unable to efficiently channel funds to those who have the most productive investment opportunities. He has given light on the dynamics of financial crisis dividing it into three stages. Also he has suggested the policies to prevent financial crisis. Following policies are supposed to be applicable for preventing financial crisis.

- Prudential supervision. Accounting standards &disclosure requirements. Legal and judicial system. Monetary policy and price stability. Exchange rate regimes and foreign exchange reserves. Capital controls. Restrictions on foreign denominated debt. Reduction of the role of the state owned financial institution. Encouraging market based discipline. Entry of foreign banks.
- Limitation of too-big –to fail in the corporate sector. Sequencing financial liberalization etc.

Lastly he has conducted that there is no doubt that the key to preventing future financial crisis is to implement sound domestic economic policies and build robust financial institutions. The experiences of the crisis hit countries, especially during the decade of nineties, has proved that a country opening to liberalized economic policy should adopt sequencing policies constraining the pace of participation on the global market place until a sound domestic infrastructure can be put into place.

2.3 Review of Dissertations

In time of research of secondary sources it is found that some student from T.U. and other management campus have conducted several thesis works. Some of them are supposed to be relevant for this study is presented below.

Karmacharya (2004), in this thesis paper, *"A study on the deposit mobilization by the Nepal bank ltd."* during eight years study period has concluded that the utilization side of Nepal Bank Ltd. has been weak as compare to the collection of resources. He has suggested to set-up more banking branches to increase the deposit collection and long-term as well as short-term credit. Objectives main Findings:

- To find out whether commercial banks have been able to collect deposit from different sector.
- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loan

Pradhan (2005), in his study *"A study on investment policy of NBL"* has tried to find out to what extent NBL has been able to utilized mobilized deposits. Between the deposit and loan and advances, ratio analysis to compare different factors like loan and advances and deposit, bank's liquidity position, profitability condition etc. "A study of deposit collection and utilization of commercial banks in Nepal" with the main objectives main

- To find out whether commercial banks have been able to collect deposit from different sector.
- To find out relationship between deposits and loan

Main Findings

- Entry of foreign banks.
- Limitation of too-big –to fail in the corporate sector.

The writer also found that it could invest only 2.98%on the priority sector in 2034B.S. bank could not mobilize its resources. In this thesis, the writer recommended that the bank 'should invest more on agriculture sector and further says the bank should make clear policy to provide the loan. The bank should invest on risky sector to earn more profit and increase the rate of interest in deposit side and decrease in loan and advances.

Pradhan (2006), "*A study of deposit collection and utilization of commercial banks in Nepal*" with the main objectives:

- To find out whether commercial banks have been able to collect deposit from different sector.
- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loan.

Main Findings

- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loan.

Tandukar (2007), in the thesis entitled *"Role of NRB in deposit mobilization of commercial banks"* has tried to examine role of NRB in deposit collection by the commercial banks and to analyze the trend, of deposits mobilization towards total investment and loan and advances. The data used in those studies is both secondary and primary nature. The researcher used different financial tools such as liquidity ratio, profitability ratio, risk ratio and coefficient of correlation, trend analysis as statistical tools. The researcher took 17 commercial banks as population and two banks i.e. "A study of deposit collection and utilization of commercial banks in Nepal" with the main objectives:

- To find out whether commercial banks have been able to collect deposit from different sector.
- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loan.

Main Findings

- Restrictions on foreign denominated debt.
- Reduction of the role of the state owned financial institution.

The researcher has recommended to NBBL that diversification of loan and investment is highly suggested to the bank. As NBBL has given priority in investment in treasury bills which is risk free but it yields very low return to the bank and recommended to EBL to collect the deposit by initiating various new program to attract the customer for this it can play a higher interest rate than other banks recently providing .

K.C. (2008), in her thesis paper, *"A comparative study on investment policy of Nepal Bangladesh bank ltd. and other joint venture banks of Nepal"* has compared the investment activities NBBL with only two of the joint venture banks. By taking five years data, she has recommended in two ways, first statement recommendation and

second theoretical recommendation. In theoretical recommendation she has suggested about liberal lending policy and cost management strategy.

This study conducted by Pant entitled, "A study of deposit collection and utilization of commercial banks in Nepal" with the main objectives:

- To find out whether commercial banks have been able to collect deposit from different sector.
- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loan

Main Findings

- To find out whether commercial banks have been able to collect deposit from different sector.
- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loan.

The writer recommended that commercial banks should not limit their lending activities in only business sectors. Commercial banks also offer long term loans not only short term period. At last, he suggest that the fully interest rates should be changed by making it's more suitable to expand the services of commercial banks in all sectors *(K.C., 2006).* "A study of deposit collection and utilization of commercial banks in Nepal" with the main objectives

- To find out whether commercial banks have been able to collect deposit from different sector.
- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loan.

Main Findings:

- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loan

Khadka (2009), in his thesis paper, "A study on the investment policy of Nepal Arab Bank ltd. in comparison other joint venture banks in Nepal" has compared investment policy of NAB ltd. with Nepal Grind lays Bank Limited (NGB) and Nepal Indosuez Bank Ltd. his study is based on five years period from 2002 to 2007. He has taken only two banks to compare the investment policy NABIL among thirteen commercial banks in Nepal. "A study of deposit collection and utilization of commercial banks in Nepal" with the main objectives:

- To find out whether commercial banks have been able to collect deposit from different sector.
- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loan

Main Findings

- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loan.

Mr. Khadka has suggested to the joint venture banks to be careful in increasing profit in real sense to maintain the confidence of shareholders, depositors and customers. He has strongly recommended NABIL to utilizing risk assets and shareholders' funds to gain highest profit margin, reduce its expenses, and cheaper fund for more profitability. He has recommended investing its fund in different sector of investment and administering various deposit schemes, house building deposit scheme etc *(Khadka, 2007).*

Bajagain (2010), in the thesis entitled, *"A study on deposit and investment position of Yeti Finance Company Ltd."* has tried to examine the trend of deposit position and investment position of the Yeti finance company. That study was conducted on the basis of secondary data and used various financial tools to analyze the data. Study just covered only period of five years i.e. 2003 to 2008. *(Bajagain, 2008).* "A study of deposit collection and utilization of commercial banks in Nepal" with the main objectives

- To find out whether commercial banks have been able to collect deposit from different sector.

- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loan

Main Findings:
- To find out whether commercial banks have been able to collect deposit from different sector.
- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loan

Agriculture is the paramount of Nepalese economy so that any finance company should not forget to invest in this sector. In order to do so, they must open their branches in remote area with an objective of providing cheaper financing services. "A study of deposit collection and utilization of commercial banks in Nepal" with the main objectives main Findings:

- To find out whether commercial banks have been able to collect deposit from different sector.
- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loan.

Katuwal (2011), carried out a study on the topic *"Mobilization of Deposit and Investment of EBL Bank Limited".* The purpose of the study will be to examine the relationship between the amount of total deposit and amount of total credit granted by EBL. The main objectives of the study were:
- To examine how far the interest rates of deposits have positive relationship with the deposit collection of EBL Bank.
- To see the impact of interest rate of loan on the credit extended by EBL Bank.
- To study the increasing and decreasing trend of deposit mobilization of EBL Bank.
- To compare the performance of deposit and investment of EBL.

The major findings of this study were;

- The analysis reveals that the banks attraction toward saving deposit seems to be satisfactory. But it is not stable increasing in percentage during the study period. It is continuous to increasing in the last of the study period.

- The changes in percentage in all deposits are in increasing trend. But last of the study period it is little fluctuate. The analysis reveals that the banks attraction towards total deposit seems to be satisfactory. Though the percentage changes are not stable, the change in ratio is in average. In case of percentage change in credit amount, the bank's attraction towards credit amount is satisfactory.

- The growth ratio of total deposit of EBL by analysis of 15 years period is 13.48%. It means the bank is able to maintain 13.48% growth rate. This ratio measures the capacity of the bank to maintain the percentage of total deposit. Since the growth ratio of total deposit is 13.48%, the bank must improve its deposit collection in high growth ratio. Similarly the growth ratio of total credit is 17%. So the bank seems in strong condition to increase the total credit than the total deposit growth rate.

- Bank's deposit collection is satisfactory but due to lack of investing opportunities it is unable to use its funds. Bank considers various possible factors while making lending. Such as: safety and security, profitability, feasibility of project available of resources diversification, legality etc. Lending process is lengthy because it takes longtime to get loan from the bank. Manager generally visits to the investor once a year to get information about the business.This is very helpful to the investors.

Sharma (2012), carried out a research work on the topic *"Mobilization of Deposit & Investment of Nabil Bank Limited"* The major objective of the study is to analyze the deposit and investment position of NABIL bank and the other specific objectives were as follows.

- To explore the deposit and investment trend of NABIL.
- To assess the impact of interest rate on deposit collection by the NABIL.
- To examine the relationship between deposit and investment of NABIL.

- To compare the performance of deposit and investment of NABIL.

The major findings of this study are as follows.
- The current deposit, saving deposit, and margin deposit are in fluctuating trend over the study period and the call deposit and fixed deposit are in increasing trend over the study period.

- Portfolio condition of a bank should be regularly revised from the time to time. It should always try to maintain the equilibrium in the portfolio condition of the bank. So it can be said "all eggs should not be kept in the same basket". The bank should make continuous effort to explore new, competitive and high yielding investment opportunities to optimize their investment portfolio.

- NABIL has to make way for small depositors and entrepreneurs for the promotion and mobilization of small investor's fund.

- On the basis of above facts, it is seen that NABIL has invested much of its fund in total outside assets but it has not achieved the desired result.

- Growth ratio of total deposit of NABIL during the period of study is 24%. So, it can be said that NABIL has the satisfactory position in term of collection deposit. Growth ratio of total credit is 25% under the period of study which is high in compared to the growth ratio of total deposit i.e. 24%. It shows that the bank is highly utilizing the collected deposit as per the growth of total deposit. The growth ratio of total investment is 22% under the period of study which is low in compared to the growth ratio of total deposit and credit.

K.C (2013), conducted a study on *"Investment Policy of Commercial Bank of Nepal"* a comparative study of NABIL with NABIL Bank and BOK. Her major objectives were as follows.
- To examine the liquidity assets management and profitability position and investment policy of NABIL in comparison to NABIL and BOKL.
- To analyze the relationship between loan and advance and total investment with other financial variable of NABIL and compare with NABIL and BOKL.

- To study the various risks in investment of NABIL in comparison to NABIL and BOKL.

Majors findings of her research were
- NABIL has higher idle cash and bank balance. It may decrease profit of bank. It is good to invest more on share & debentures as it encourage financial and economic development of the country.
- A commercial bank must mobilize its fund in different sector such as to purchase share & debentures of other financial and non financial companies out of total working fund. NABIL has invested its more of the funds i.e. total investment on total deposit ratio, in comparison to other commercial banks but percentage of investment on share and debenture in very nominal.

2.4 Research Gap

This sort of study which aims to analyze the deposit mobilization aspect of the private sector and government sector commercial banks is a new and challenging in itself but is also an opportunity to learn and identify the deposit mobilization mechanism of both public owned and government owned commercial banks. More specific studies as to the deposit mobilization have been done in the past too but this study is quite different from the other studies as this study is done with samples as a government owned bank (Nepal Bank Ltd.) and another one as a public owned commercial bank (Standard Chartered Bank) which is also a joint venture commercial bank. So this research is new in the recent scenario also. However it is also the thing that is influenced by the rationality in mobilizing the deposits along with proper decision making by the management. In this connection, this study contributes something new toward the deposit mobilization procedure of the Nepalese commercial banks that is not sought yet by surveying the psychology and awareness of the management.The risk taken by Standard Chattarded banks, from the angle of credit and capital are in an average whereas the consistencies of the same are highly volatile which may result higher loss. The bank should not test those risks on an experiment basis as seen from the consistency angle. Efficient banking is not only the output of interaction of institutions involved and mechanism and process of

investment of the shareholders. The ever mounting amount of deposits is now got to be properly mobilized in the different sectors of the economy. For the proper mobilization of deposit, banks must be prepared to take more risk on their lending and investments to encourage the borrowing by the units of the economy. In other words, it's time for them to divert their traditional collateral taking process into more realistic and potential aspects. They must provide loan for a project on the basis of its potentiality instead of sound and safe collateral. In addition, it's also suggested that they should lower their lending rate too. Private sector commercial banks are adopting this policy in some extent.

CHAPTER III
RESEARCH METHODOLOGY

Introductions

Research methodology describes the method and process applied in the study. This chapter describes the methodology employed in the study. Research methodology refers to various sequential steps these are adopted by a researcher in studying a problem with certain objectives**.** In other words, research methodology describes the method and process applied in the entire aspect of the study. It is the process of arriving at a solution of the problem through planned and systematic dealing with the collection, analysis, and interpretation of facts and figures. Research is a systematic method of finding right solutions for the problem where as research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view. In other words, research methodology refers to the various methods of practices applied by the researcher in the entire aspect of the study.

The basic objectives of this study is to evaluate the fund mobilizing policy of standard chartered bank has got in the whole commercial JVBS of Nepal & recommend the useful & meaningful, points. So that all concerned can achieve something from this study. To accomplish this goal, the study follows the research methodology described in this chapter.

3.1 Research Design

A research design is the arrangement of conditions for collection & analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure**.** Research design is the plan, structure & strategy of investigation conceived, so as to obtain answers to research questions & to control variances. To achieve the objective of the study, descriptive & analytical research design has been used.

Basically, the proposed study is mainly based on two types of research design namely descriptive and analytical. Descriptive research design describes the general attitude of

the Nepalese depositors, business environment, problems regarding the deposits mobilization aspects etc. Similarly, the analytical research design makes a thorough analysis of gathered facts and information and critically evaluates it as well.

Some statistical & financial tools have also been applied to examine facts and descriptive techniques have been adopted to evaluate funds mobilizing performance of Standard Chartered Bank & Nepal Bank Limited and a comparison is done to identify their strengths weaknesses.

3.2 Sources of Data

This study is conducted on the basis of secondary data. The data relating to the investment, deposit, loan & advances, assets, & profit are directly obtained from the balance sheet & profit & loss a/c of concerned bank's annual reports. Supplementary data & information are collected from number of institution & regulating authorities like NRB, security exchange board, Nepal stock exchange Ltd, ministry of finance budget speech of different fiscal years, economic survey & national planning commission etc. Similarly, various data & information are collected from the periodic economic journals, managerial magazines & other published & unpublished reports & documents from various sources. This research study would be based on the secondary data that are available in the published form. Some of the major types and sources of data are as follows:

- Banking and financial statistics of Nepal Rastra Bank.
- Annual report of Nepal bank ltd.
- Annual Reports of Standard Charted Bank Nepal Ltd.
- Central Bank's directives to Commercial Banks:
- Statistics Nirdesika 2067
- Directive I to II
- Consortium Financial Directive
- Main Economic Indicators
- Recent macro economic situation of Nepal, 2012/2013.
- National Newspaper, journals and magazines.

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

3.3 Population & Samples of the Study

There are 30 commercial banks operating in Nepal which accept about 81 percent of the total deposits and sanction 71 percent of total loans and advances out of the total depository institutions. Out of these 30 banks operating in the nation, two commercial banks representing the government sector and private sector -Nepal Bank Limited and Standard Chartered Bank Limited respectively are selected as the base for the study. The deposit mobilization positions of these two banks are studied comparatively with the deposit mobilization of aggregate commercial banks within the country.

3.4 Statistical tools Applied:

To achieve the objectives of the study, various financial, statistical & accounting tools have been used in this study. The analysis of data will be done according to pattern of data available. Because of limited time & resources, simple analytical statistical tools such as graph, percentage, Karl Pearson's coefficient of correlation, & the method of least square, are adopted in this study. Specially descriptive analysis method is used for the study.

The various calculated results obtained through financial, accounting & statistical tools tabulated under different heading and these are compared with each other. Major tools used for the analysis of collected data are:

3.5 Necessary Tools and Techniques for the study

This thesis work is based on financial as well as statistical analysis. Some major tools and techniques applied for making the thesis work more presentable are briefly considered below:

3.5.1 Financial Analysis (Ratio Analysis)

In this unit the financial position of the banks are observed. Especially the ratio analysis technique is applied for financial analysis of sampled banks in this unit. An arithmetical relationship between two figures is known as ratio. It is computed by dividing one item of relationship with the other. Ratio simply means one number expressed in terms of another.

Ratio analysis is a technique of analysis & interpretation of financial statement. To evaluate the performances of an organization by creating the ratios from the figure of different accounts consisting in balance sheet & income statement is known as ratio Analysis. Ratio analysis is also very helpful for decision making. From the information provided by ratio analysis with the help of financial statement are very useful for making decision on any financial activity. Due to inter-firm comparison ratio analysis also serves as a stepping stone to remedial measures. It helps management in evolving future market strategies'.

Growth Ratios

- Growth of loan and advances
- Growth of investment
- Growth of ret

3.5.2 Statistical Tools

3.5.2.1 Coefficient of Correlation Analysis (r)

"Correlation is the statistical tools that we can use to describe the degree to which one variable in linearly related to another. The coefficient of correlation measures the degree of relationship between two sets of sigma. Among the various methods of finding out coefficient of correlation, Karl Pearson's method is applied in the study. The result of

coefficient of correlation is always between +1 & -1. When r = +1, it means there is perfect relationship between two variables & vice versa. When r= 0, it means there is no relationship between two variables. The Pearson's formula is:

$$r = \frac{n\sum xy - \sum x.\sum y}{\sqrt{N\sum x2 - (\sum x)2}\sqrt{N\sum y2 - (\sum y)2}}$$

Where,

     N = Number of observations

     X and Y are variables.

The decision criteria:

When,

     r = 0, there is no relationship between the variables.

     r = 1, the variables are perfectly positive correlated.

     r = -1, the variables are perfectly negative correlated

Trend Analysis

Trend analysis is useful in predicting the future events on the basis of past tendencies. Trend analysis is based on assumption that the past tendency continues in future. The future trend of any variable is forecasted by using following equation.

Y_c = a + bx

Where,

Y_c = the dependent variable

a. = Y intercept

b = slope of the tendencies

x = year (with regard to data used in the study)

CHAPTER-IV
PRESENTATION AND ANALYSIS OF DATA

In this segment, a thorough analysis and interpretation of available data are made in order to find major finding of the study. While analyzing data various statistical and financial tools have been applied. Data presentation and analysis is the most important part of this thesis or say it is the heart of whole study. All findings, conclusions and recommendations are based on the result of analysis.

4.1 Financial Analysis

Financial analysis is the profound study of the financial position of an institution .financial analysis in this study is the calculation and evaluation of various financial ratios, specially the ratios related to the deposit mobilization of selected banks.

This section deals with the analysis of different components regarding deposit mobilization. Following three categories of ratios are presented in this section:

- Loan and Advances
- Investment
- Return

4.1.1 Analysis of Growth of Loan and Advances

Loan and advances are the main transaction of the commercial bank. The major element where the banks mobilize their funds is loan and advance. Commercial banks mobilize their deposit in productive sector for earning profit and making the financial position of the bank better. So, increasing growth rate is necessary for increasing the return of the bank.

Table No. 4.1

Growth of Loan and Advances of NBL & SCBNL

(Total percentage)

Banks/Year	NBL	SCBNL
2008/09	--	--
2009/010	-0.0281	-0.0427
2010/011	-0.0065	0.1067
2011/012	-0.0881	0.2206
2012/013	-0.3022	0.0354

Source: Appendix-I

Figure No. 4.1

Growth of Loans & Advances NBL& SCBNL
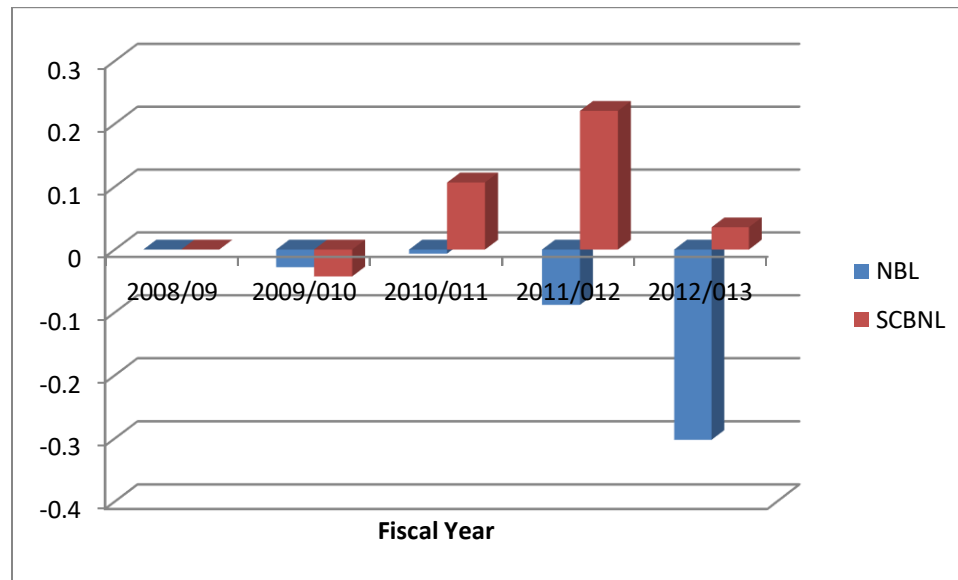
Table No. 4.1 and Figure No. 4.1 are the presentations of the growth of loan and advance of sampled banks. The growth ratio of SCBNL is fluctuating but the ratios of NBL are seemed to be in decreasing trend. Growth rate of the ratios of NBL for 2010/011, 2011/012, and 2012/013 are -0.0065%, -0.088%, and -0.3022%, and these ratios of SCBNL for these period are 0.106%, 0.220% and 0.035% respectively. After observing these factors it is found that SCBNL is in better position in comparison to NBL. And it is

seemed that NBL should immediately take some action to make the growth of loan and advance positive.

4.1.2 Analysis of Growth of Investment

Banks collect deposits from people and invest it to the various productive sectors. Banks have to collect adequate deposit; and invest it to the productive sector for regular return. The investment of the bank increases only when the bank is able to increase the collection of the deposit and mobilize the collected deposit well. If the investment of the bank is increasing, the return will be high.

Table No. 4.2

Growth of Investment of NBL and SCBNL

(Total Percentage)

Banks/Year	NBL	SCBNL
2008/09	--	--
2009/010	-0.0478	-0.0371
2010/011	-0.0963	0.1823
2011/012	0.3063	-0.0936
2012/013	-0.1490	0.1999

Source: Appendix-I

Figure No. 4.2

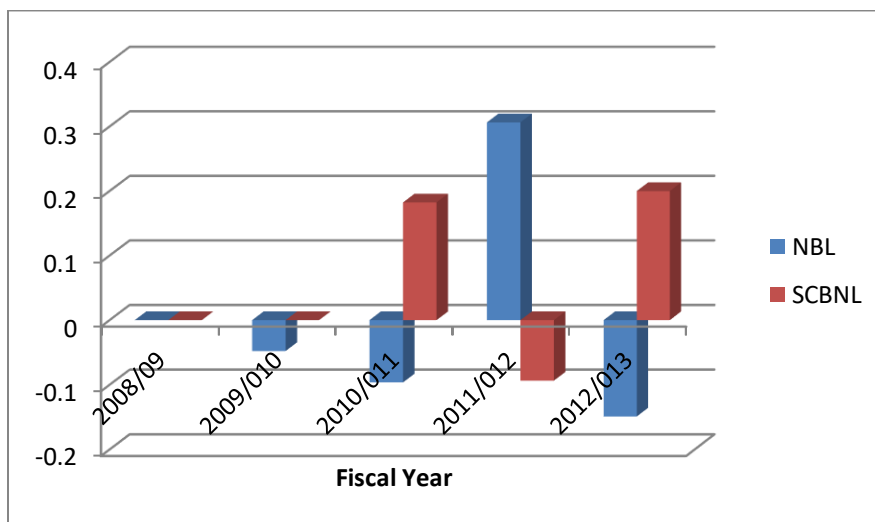**Growth of Investment of NBL and SCBNL**

Table No. 4.2 and the Figure No. 4.2 are the presentations of the growth of total investment of sampled banks for the study period of five years from 2008/09 to 2012/013.

Growth rate of NBL for same years are -0.0963%, 0.3063% and -0.149% respectively and the growth rates of SCBNL for same years are 0.1823%, -0.936% and 0.1999% respectively.

After analyzing the facts and figures it is found that the growth rate of SCBNL is best for 2008 /09 and 2012/013 and the ratio of NBL is best for 2011/012. But the ratio of NBL has fallen by the large percentage on 2012/013. The reason behind this is due to the recovery policy of default of loan.

4.1.3 Analysis of Growth of Return

One of the most important objectives of the bank is to maximize the return. It is possible through the proper mobilization of deposit. If the bank is able to mobilize the deposit well, higher will be the return and the performance of the bank. The net income is considered as the return in this unit.

Table No.4.3

Growth of Return (Profit) of NBL and SCBNL

(Total Percentage)

Banks/Year	NBL	SCBNL
2008/09	--	---
2009/010	-0.1407	-0.0390
2010/011	-0.2317	0.1847
2011/012	-0.7722	-0.0338
2012/013	0.6647	0.2311

Source: Appendix-I

Figure No. 4.3

Growth of Return (Profit) of NBL and SCBNL
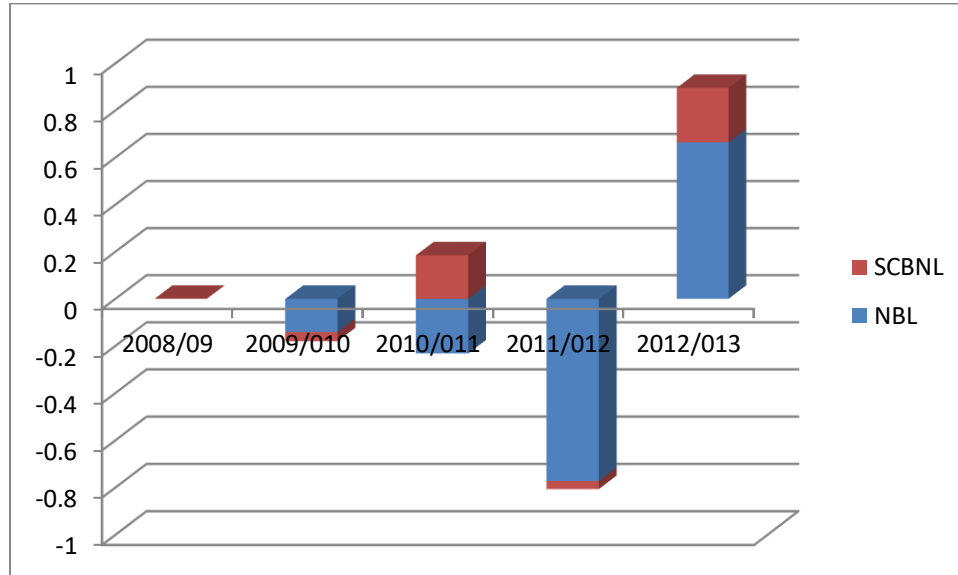
Total Investment to Total Deposit Ratio

Investment is one of the major sources of earning of profit. This ratio indicates how properly firm's deposits have been invested on government securities and shares and debentures of other companies. This ratio is computed by using following formula.

$$\text{Total Investment to Total Deposit} = \frac{\text{Total Investment}}{\text{Total Deposit}}$$

Where, total investment includes investment on government securities, investment on debentures and bonds, share in subsidiary companies, shares in other companies and other investments.

Table: 4.4

Total Investment to Total Deposit Ratio of NBL & SCBNL

Fiscal Year	NBL	SCBNL
2008/09	36.95	40.24
2009/010	33.75	35.84
2010/011	29.19	37.56
2011/012	39.83	37.24
2012/013	33.22	37.50
Average	34.59	37.68
SD	4.02	1.59
CV	11.63	4.23

Source: Appendix-V

Figure: 4.4

Trend of Total Investment to Total Deposit Ratio of NBL & SCBNL
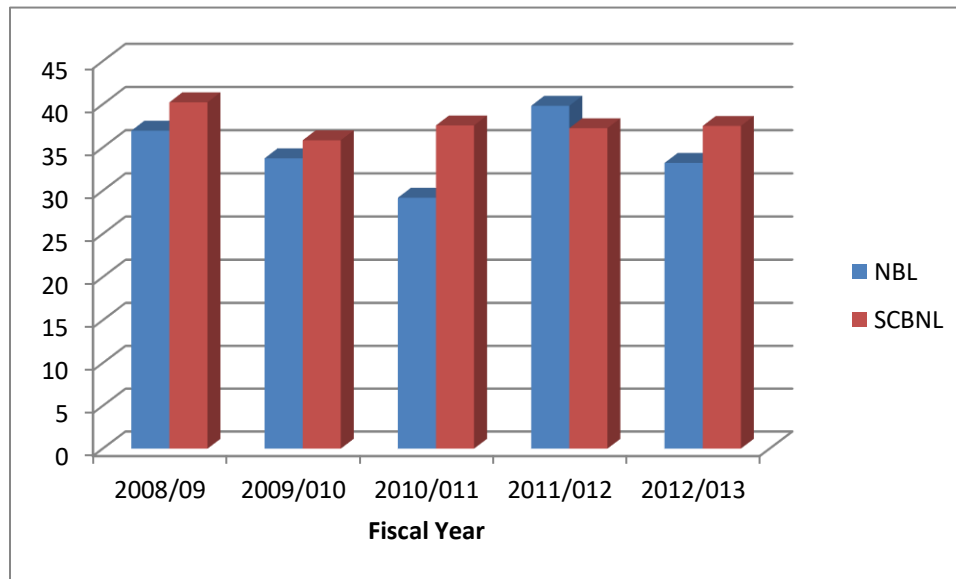
Table 4.4 & figure 4.4 shows that the total investment to total deposit ratio of NBL & SCBNL. The total investment to total deposit ratio of NBL is in fluctuating each year during the study period and the total investment to total deposit ratio of SCBNL is in also fluctuating in each fiscal year than previous year. The highest values of total investment to total deposit ratio of NBL & SCBNL are 39.83% & 40.24% in the fiscal year 2011/012 & 2008/09 respectively and that of lowest is 29.19% & 35.84% in the fiscal year

2010/011 & 2009/010 respectively. The total investment to total deposit ratio of SCBNL is higher than NBL in each fiscal year during the study period.

An average total investment to total deposit ratio of NBL is 34.59% and SCBNL is 37.68%, standard deviation is 4.02% & 1.59% and CV has 11.63% & 4.23% of NBL & SCBNL respectively during the study period. It shows that the total investment to total deposit ratio of NBL is more variable than SCBNL.

Loan & advance to Total Deposit Ratio

The most important feature of a commercial bank is to collect the scattered & small deposits of general public and use these deposits to grant loan & advances to the needy people. Here, Loan & Advance to total deposit ratio has been used to find out the effective utilization of the available resource of the bank. It also shows the efficiency, ability and idle resource of the bank. The ratio of loan & advance and deposit declares the effective utilization of the collected resources. Generally, increase in deposit leads to increase in loan & advance.

Loan & Advance to Total Deposit $= \dfrac{Loan\ \&\ Advance}{Total\ Deposit}$

Table: 4.5

Loan & Advance to Total Deposit Ratio of NBL & SCBNL

Fiscal Year	NBL	SCBNL
2008/09	59.49	36.61
2009/010	55.46	32.42
2010/011	52.75	31.80
2011/012	50.24	42.46
2012/013	34.36	36.90
Average	50.46	36.04
SD	9.63	4.28
CV	19.08	11.88

Source: Appendix-VI

Figure: 4.5

**Trend of Loan & Advance to Total Deposit Ratio of NBL & SCBNL**
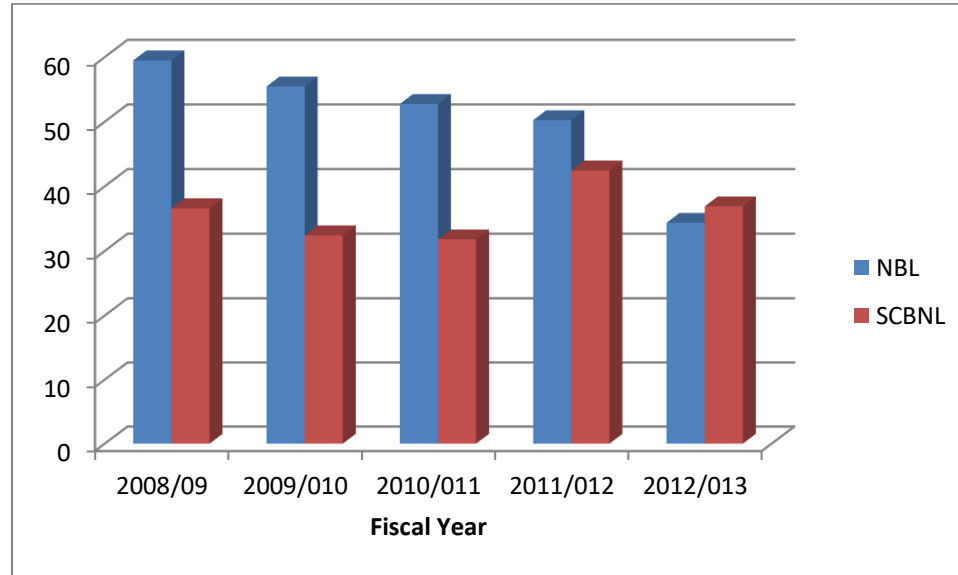
Table 4.5 & figure 4.5 shows that the loan & advance to total deposit ratio of NBL & SCBNL. The loan & advance to total deposit ratio of NBL is in decreasing each year during the study period and the loan & advance to total deposit ratio of SCBNL is in fluctuating in each fiscal year than previous year. The highest values of loan & advance to total deposit ratio of NBL & SCBNL are 59.49% & 42.46% in the fiscal year 2008/09 & 2011/012 respectively and that of lowest is 34.36% & 31.80% in the fiscal year 2012/013 & 2010/011 respectively. The loan & advance to total deposit ratio of NBL is higher than SCBNL in each fiscal year except the fiscal year 2012/013 during the study period.

An average loan & advance to total deposit ratio of NBL is 50.46% and SCBNL is 36.04%, standard deviation is 9.63% & 4.28% and CV has 19.08% & 11.88% of NBL & SCBNL respectively during the study period. It shows that the loan & advance to total deposit ratio of NBL is more variable than SCBNL.

Credit Deposit Ratio

The total credit is the loan and advance and investment. Loan is the sum of the money that will be repay by the borrower. Investment is defined simply to be the sacrifice of current consumption for future consumption whose future objective is to increase future wealth.

Credit deposit ratio (CD Ratio) = $\dfrac{Total\ Credit}{Total\ Deposit}$

Table: 4.6

Credit Deposit Ratio of NBL & SCBNL

Fiscal Year	NBL	SCBNL
2008/09	96.44	76.85
2009/010	89.21	68.27
2010/011	81.94	69.36
2011/012	90.07	79.71
2012/013	67.59	74.40
Average	85.05	73.72
SD	11.03	4.87
CV	12.97	6.61

Source: Appendix-VII

Figure: 4.6

Trend of Credit Deposit Ratio of NBL & SCBNL

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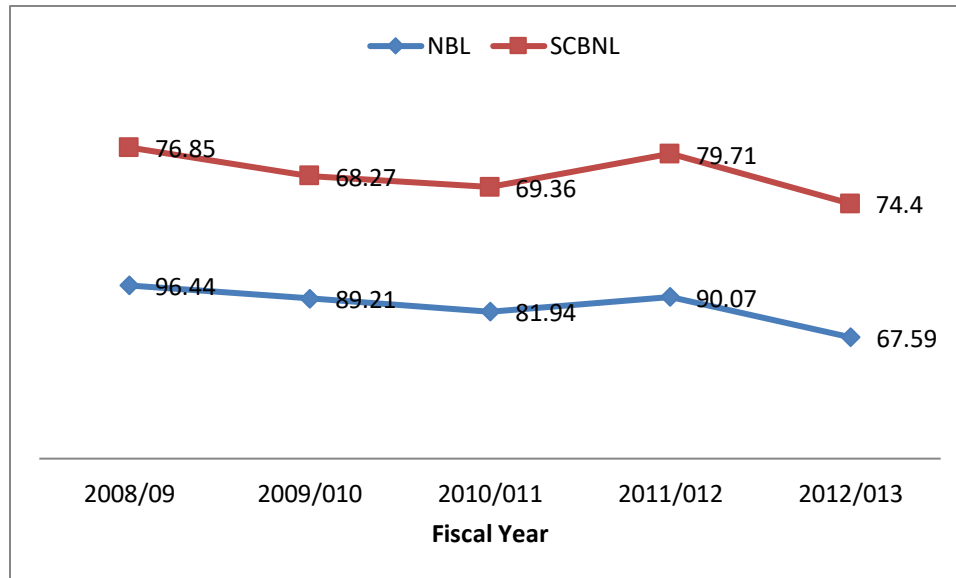
Table 4.6 & figure 4.6 shows that the credit deposit ratio of NBL & SCBNL. The credit deposit ratio of NBL is in decreasing each year during the study period and the credit deposit ratio of SCBNL is in fluctuating in each fiscal year than previous year. The highest values of credit deposit ratio of NBL & SCBNL are 96.44% & 79.71% in the fiscal year 2008/09 & 2011/012 respectively and that of lowest is 67.59% & 68.27% in the fiscal year 2012/013 & 2009/010 respectively. The credit deposit ratio of NBL is higher than SCBNL in each fiscal year except the fiscal year 2012/013 during the study period.

An average credit deposit ratios of NBL is 85.05% and SCBNL is 73.72%, standard deviation is 11.03% & 4.87% and CV has 12.97% & 6.61% of NBL & SCBNL respectively during the study period. It shows that the credit deposit ratio of NBL is more variable than SCBNL.

4.2.1 Analysis of Correlation Coefficient between Deposit and Total Investment

The coefficient of correlation between deposit and investment is the degree of relationship between two variables. In this analysis, deposit is independent variable(x) and total investment is dependent variable (y). The purpose of this analysis is to justify whether the deposits are significantly used in proper way or not and whether there is any relationship between these variables.

Table No. 4.7

Correlation Coefficient between Deposit and Total Investment

Banks	Base of Evaluation			
	r	t-cal	t-tab	Decision
NBL	-0.766	1.68	2.776	Insignificant
SCBNL	0.939	1.39	2.776	Significant

Source: Appendix-II

Table no. 4.7 shows the correlation coefficient between deposit (independent variable) and total investment (dependent variable) of NBL, and SCBNL are -0.766 and 0.939

respectively. This figure shows the positive relationship between the variables of SCBNL and negative relationship between these variables to the NBL.

As shown in the table 4.7, the calculated value of SCBNL is greater than the tabulated value. As such we accept the alternative hypothesis & conclude that the relationship between deposit and investment of SCBNL is significant. In case of NBL the calculated value of t is smaller than the tabulated value. This result in the acceptance of null hypothesis and we conclude that the relationship between deposit of investment of NBL is insignificant.

4.2.2 Analysis of Correlation Coefficient between Deposit and Loan and Advances:

Correlation coefficient between deposit and loan and advance measures the degree of relationship between total deposit and loan and advances. Generally this relation should be positive and high. If the value of (r) i.e. Correlation coefficient is high, it can be generalized that the bank is mobilizing its fund well and vice versa. Deposit is independent variable (x) and loan and advance is dependent variable (y). The main objective of this analysis is to compare the value of (r) between two sampled banks. This analysis further aims to observe whether the sampled banks are mobilizing their deposit and loan & advances in proper way or not.

Table No. 4.8

Correlation Coefficient between Deposit and Loan and Advances

Banks	Best of Evaluation			
	r	t-cal	t-tab	Decision
NBL	-0.1014	0.1523	2.776	Insignificant
SCBNL	0.651	1.588	2.776	Insignificant

Source: Appendix-III

Table no. 4.8 shows the degree of correlation between deposit and loan and advance of NBL and SCBNL for the study period of five years from 2008/09. The degree of

correlation as the value of (r) of NBL and SCBNL are -0.1014 and 0.651 respectively. It means the degree of correlation between the variables of NBL is low but positive and the degree of the correlation of the variables of SCBNL is moderately positive. The calculated value of the variables of NBL and SCBNL are 0.1523 and 1.588 respectively. The calculated value of SCBNL is higher than the NBL.

Table no 4.8 further shows that the calculated t-values of both banks are well below the tabulated value. Hence we accept null hypothesis and assert that there exist no significant relationship between deposit and loan & advance of SCBNL as well as NBL.

4.3.1 Trend Analysis

The statistical test used in this study which describes the trend of any variables whether it increase or decrease is known as trend analysis. This heading finds out the trend of deposit utilization of NBL and SCBNL less than four years study period. Commercial banks mobilize deposits in various sectors like loan and advances, government securities, share and debentures and some other productive and development sectors.

4.3.1.1 Trend Analysis of Total Investment to Total Deposit Ratio

This analysis aims to analyze the trend of total investment to total deposit ratio NBL and SCBNL under five years of study period. If the trend line show the increasing trend the bank is improving its deposit mobilization capacity and vice versa. The following table and the graph line describe the trend values of total investment to total deposit of above mentioned banks:

Table No. 4.9

Trend Values of Total Investment to Total Deposit Ratio

Bank/Year	NBL	SCBNL
2008/09	34.862	38.49
2009/010	34.725	38.084
2010/011	34.588	37.677
2011/12	34.451	37.27
2012/13	34.314	36.863
2013/14	34.177	36.453
2014/15	34.040	36.049
2015/16	33.903	35.642
2016/17	33.766	35.235

Source: - Appendix-IV

Figure No. 4.7

Trend Line of Total Investment to Total Deposit Ratio
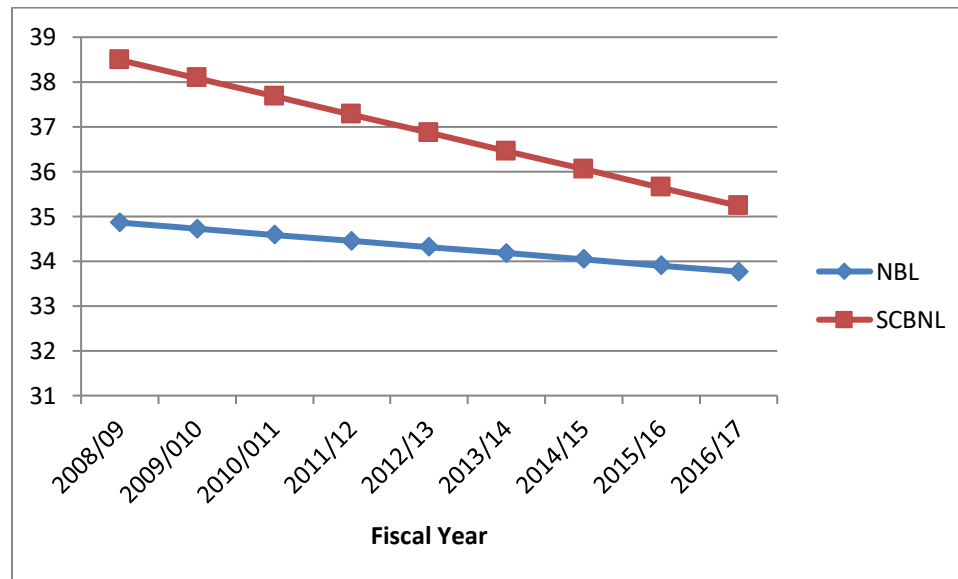
Table no. 4.9 and Diagram No. 4.7 are the presentations of the trend values of total investment to total deposit ratio during the study period. The trend lines show that NBL and SCBNL have increasing trend in the ratio. SCBNL has grater trend value (i.e. 34.86)

in 2008/09. Finally it can be determined that SCBNL is successful in managing total deposit and NBL also has the good trend on it.

4.3.1.2 Trend Analysis of Loan and Advances to Total Deposit Ratio

This study aims to analyze the trend of loan and advances to total deposit ratio of NBL and SCBNL for the study period of five years from 2013/14 to 2016/17. In this analysis the increasing trend and the high trend value is considered as the best. Following table and graph line describe the trend values of loan and advances to total deposit ratio of above mentioned banks.

Table No. 4.10

Trend values of Loan and Advances to Total Deposit Ratio

Bank/Year	NBL	SCBNL
2008/09	61.555	33.9124
2009/010	56.008	34.9748
2010/011	50.461	36.0372
2011/12	44.914	37.0996
2012/13	39.367	38.1620
2013/14	33.82	39.2244
2014/15	28.273	40.2868
2015/16	22.726	41.3492
2016/17	17.179	42.4116

Source: Appendix-IV

Figure No. 4.8

Trend values of Loan and Advances to Total Deposit Ratio
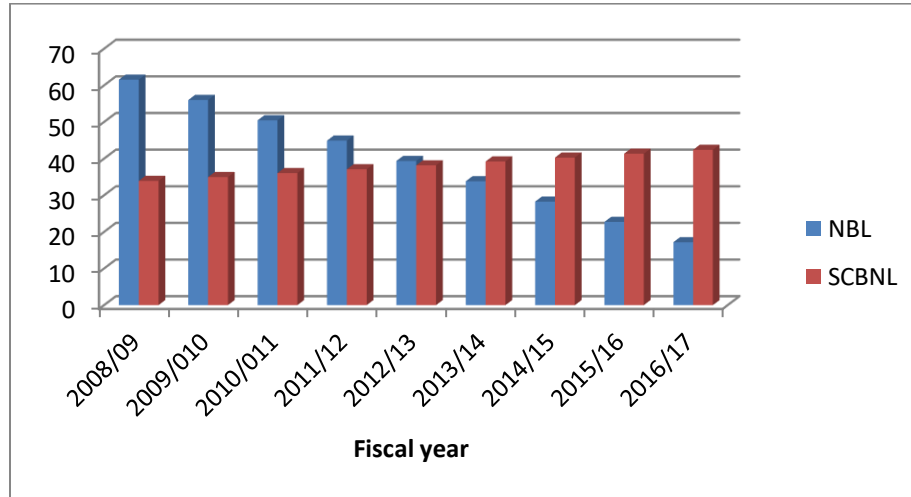
Table no. 4.10 and Diagram No. 4.8 are the presentations of the trend values of loan and advance to total deposit ratio of NBL and SCBNL. The trend values of SCBNL are in increasing trend and the trend values of NBL during the study period are in falling trend. The trend value of loan and advances to total deposit ratio in 2012/013 is 58.07 which is highest in comparison to the trend values of sampled banks, and the trend value of SCBNL in 2008/09 is 33.91 that is lowest among the values, Finally loan and advance of NBL is better than the sampled banks, and SCBNL is better between the sampled banks with increasing trend.

4.4 Major Findings of the Study

In this research, data have been basically obtained by the secondary sources. The analysis is made with the help of Financial and statistical tools. In the financial tools, ratio analysis has been used for the analysis of the financial activities of commercial banks.

This study has been made on the basis of the related data for five years from 2008/09 to 2012/013.The major finding of the financial analysis and statistical analysis is presented below.

Growth ratios show the performance level of the commercial banks. The smooth growth of the performance show the perfect efficiency but this cannot be found in real practice in general life.

Growth of deposit is one of the indicators showing the performance efficiency of commercial banks. Analyzing the growth of total deposit ratio of SCBNL has fluctuating ratios during the study period. The ratios of them have fallen in 2009 and taken the recovery in 2010. In case of NBL the ratios are falling during the study period. SCBNL has highest average growth of deposit during the study period in comparison. It means SCBNL representing the private sector bank is more successful than government owned commercial banks in winning the belief of the customers.

Loan and advance is the most important element for investing the funds of commercial banks. The statistics of NBL is showing the negative growth in loan and advance. The reason for falling growth in all commercial banks may be of the application of the policy of financial restructuring. NBL facing the great problem of default of recovery of loan has been concentrating its effort for recovery of loan than making further loan so this bank may have the negative growth in loan and advance. Another reason for falling growth may be the political instability and unfavorable environment for the trade and industry. It means private sector commercial banks are more efficient than the government owned commercial banks.

Investment is another sector where the banks mobilize their funds. Increasing investment is the signal of economic recovery of the nation and financial efficiency of the commercial banks. Analyzing the growth of investment, the ratios of both sampled banks are fluctuating during the study period. The ratios of SCBNL are more positive than that of NBL and SCBNL has the highest average growth of investment in the study period. So it can be generalized that the private sector commercial banks are more successful in making investment in comparison to the government owned commercial banks.

Profit making is one of the most important objectives of commercial banks. If the bank is successful in making smooth growth in profit by passes of time the bank can be considered as managerially successful bank and that can easily sustain in long term. Analyzing the growth of return, both sampled banks have the fluctuating growth during the study period. SCBNL has highest mean growth of return during the period. Though NBL has negative average growth of return it has done well on the final year of the study.

Analyzing the correlation coefficient between deposit and total investment NBL has negative relationship between these variables and SCBNL has positive relationship between these variables. Considering the t-test, of NBL the coefficient of correlation (i.e. $r < t\text{-cal} < t\text{-tab}$) and SCBNL of coefficient of correlations is ($r < t\text{-cal} > t\text{-tab}$. It means the relationship NBL is not significant and SCBNL is significant.

In the analysis of correlation coefficient between deposit and loan and advance, SCBNL have the positive relationship and NBL has the negative relationship. Considering the t-test, of NBL the coefficient of correlation (i.e. $r < t\text{-cal} < t\text{-tab}$) and SCBNL of coefficient of correlations is ($r < t\text{-cal} < t\text{-tab}$. It means the relationships both of them are not significant.

Trend analysis show the moving direction of some factors by the time passes on. In this study the trend of total investment to total deposit ratio and loan &advance to total deposit ratio is analyzed for meeting the objective of the study.

Analyzing the trend values of total investment to total deposit ratio for the five years of study period, the trend line of NBL and SCBNL have presented the increasing trend.

Observing the trend of loan and advance to total deposit ratio SCBNL have increasing trend and NBL has decreasing trend. This ratio of NBL may have fallen due to its efforts on recovery of default of loan.

CHAPTER- V
SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter is an accomplished specific and indicative enclose which contains summary and conclusion of finding and recommendations. Brief introduction to all chapters of the study and genuine information of the present situation under the topic of the study is defined on summary. Conclusions are analysis of applicable data by using various financial and statistical tools, which presents strengths, weakness, opportunities and threats of the CBs. And suggestions are obtainable in recommendation, which is arranged on the basis of findings and conclusions.

5.1 Summary

Development of a country always depends upon the economic development of that country. Financial Institutions play vital role for economic development. Basically it works as financial intermediary by taking deposit and lending that money to deficit group of society. Both private and public sector have been contributing to our nation. Integrated and speedily development of the country is possible only when competitive banking service reaches nook and corners of the country. Commercial banks occupy an important place in the framework of every economy because they provide capital for the development of industry, trade, business and other resources deficit sectors by investing the saving collected as deposits. All the economic activities of each and every country are greatly influenced by the commercial banking business of the country.

Mobilization of saving in the productive sector is important for the economic development of the country without inflationary pressure in the economy. No doubt commercial banks play a crucial role for the economic development by formulation of capital, which is key variable in the economic development of the country. Scattered recourses hold no meaning unless and until they mobilized and utilized efficiently in some productive sectors. Commercial banks contribute to the process of capital formation by converting dispersed saving into meaningful capital investment in order to aid

industry, trade, commerce and agriculture for the economic development of a nation. It should not be forgotten that a country could hardly achieve its growth of economic development without a strong capital base. Commercial banks play a vital role in performing such base for financial and economic development by way of deposit mobilization. It is quite true that a strong financial system is of great need in the developing country like Nepal. Because all the economic conditions are based on the financial institution and the development of a country depend upon the active participation of the banks in the different activities in the economy.

Deposits are the obligation of the commercial banks. So, commercial banks must allocate the funds in different loans and advances and investments. In this study two banks -NBL representing the government bank and SCBNL representing the private sector bank.

In the analysis of growth ratios of NBL and SCBNL, these all have the positive growth in deposit and investment but NBL has the negative growth in loan and advance and return. In the growth point of view SCBNL is stronger than NBL and NBL is seemed weaker than SCBNL in these ratios.

In the analysis of correlation coefficient between the selected variables, NBL has the negative results on each test. It means the selected variables of NBL are not significantly correlated with each other during this period. Such results may have appeared because of the restructuring programs lunched for the betterment of the bank.

Finally, in conclusion, it can be concluded that the deposit mobilization position of both (government owned commercial banks and private sector commercial banks) are good but the position of private sector commercial banks is better than the position of government owned commercial banks.

5.2 Conclusions

Banks are the very necessary elements of the economy of a country. The word banks generally denote the commercial banks. The commercial bank helps in the formation of capital that is the most important for the economic growth of the country. The commercial banks, in Nepal are doing well but they are not giving satisfactory result due to some, internal and external factors. The deposits and its investment in productive sector by commercial banks are not stable and these are going thoroughly by the time passes on. 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 funds and make the satisfactory profit for the long term sustainability of an organization.

Banks should be careful while granting loan because loan is the blood of commercial banks for survival. If commercial bank does not adopt the sound investment policy, it will be in greater trouble in future in the collection of loan amount. Banks should invest its funds in various portfolios after the profound study of the project. It keeps the bank far from the problem of default of payment that certainly keeps the bank safe from the bankruptcy. Diversification of investment is very much important for banks because a bank uses the money of people for the benefit of the depositors and the benefit of its own.

From the analysis made in last chapter it is found that NBL and SCBNL are able to mobilize average 82.2% and 72.92% of their deposits to the loan and advance and in investment. This figure show the stronger position of NBL than SCBNL in deposit mobilization but comparing the return ratios, i.e. interest income to total income ratio NBL has smaller return than SCBNL (i.e. 70.84<78.82). It means both the banks are efficient in deposit mobilization but NBL is weak in collecting interest and even the principal amount of the loan. The analysis of growth of deposit, loan and advance and the investment also reflects the weak position of NBL in deposit mobilization in comparison to SCBNL.

Analyzing the trend of investment of both sampled banks there are increasing trend and there is no significant difference between the trend values of the NBL and SCBNL. But the trend values of loan and advance to total deposit ratio of NBL is falling during the study period. This value of SCBNL is increasing during the same period. It means SCBNL is managing its loan and advance well. But NBL is shifting from loan and advance to secured investment. Various analysis yield different results but summarizing the results it can be generalized that there is no more difference between the deposit mobilizations of government owned commercial banks and private sector commercial banks. But the private sector commercial banks are seemed more efficient than the government owned commercial banks in deposit mobilization.

Every sector is facing the problem in Nepal due to violence and political instability. The commercial banking system also could not escape out from this situation. All the banks within this system have been facing the problem but this problem of NBL became great, because this is the government owned commercial bank which is serving even in remote areas by largest number of branches. Most of the loans became the bad debt due to the unfavorable economic environment. But the positions of this bank have been falling due to the managerial inefficiency and political interference in the management in some extent.

5.3 Recommendations

The problems related to deposit mobilization of NBL and SCBNL representing the government owned commercial banks and private sector commercial banks respectively have been discussed. In accordance with facts found in previous sections, the following recommendations are made for the further improvement of the deposit mobilization of the government owned commercial banks and private sector commercial banks especially NBL and SCBNL.

- The ever mounting amount of deposits is now got to be properly mobilized in the different sectors of the economy. For the proper mobilization of deposit, banks must be prepared to take more risk on their lending and investments to encourage the borrowing by the units of the economy. In other words, it's time

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for them to divert their traditional collateral taking process into more realistic and potential aspects. They must provide loan for a project on the basis of its potentiality instead of sound and safe collateral. In addition, it's also suggested that they should lower their lending rate too. Private sector commercial banks are adopting this policy in some extent.

- In order to develop the banking and saving habit of the people of remote areas in the nation, commercial banks are suggested not to be surrounded and limited within the urban areas and not to be gathered around the big clients (e.g. multinational companies. Large industries, manufacturer and exporters, NGO's and INGO's, etc.). Reduction in the minimum required threshold balance and extension of its services towards rural area and priority sector indicated by the government is must for boosting up the living standard of lower level people.

- Since commercial banks used to provide less loan and advances in comparison to its total deposits, commercial banks are strongly recommended to follow the liberal lending policy. More percentage of deposits can be invested to different profitable sector as well as towards loan and advances. Because, analysis showed investment and loan and advances as a significant factor this affects the net profit of the banks. Subsequently, a skillful administration is the most for these assets because negligence may become a reason liquidity crisis and more liberal lending may lead to the default of repayment of loan.

- Considering the current economic scenario, banks are suggested to further advance their retail banking through newer and innovative products. They should expand their transaction in new services such as tax revenue collection, business enterprise's bill amount collection etc. Both banks are doing these works in some extent but that is not satisfactory to the customers of all regions.

- Commercial banks themselves should seek for new investment opportunities rather than investing in identified areas. Commercial banks should establish the efficient R&D department for this purpose. It may be the worth being suggestion that banks are better to seek investment opportunities in foreign countries in order to overcome the mounting deposits and limited investment

opportunities. They should invest in foreign currencies, precious metals, and highly liquid safe securities.

- All commercial banks should make an attractive publicity of the bank and than people will have knowledge about the bank and it encourages them to save the money. When there is more publicity, people may have great desire to save money in order to earn interest and use the bank to lend money instead of money lenders the banks should also pay attention to publish bulletin, brochures and others so as to make people familiarizes with its performance and activities.

- Training and observation tours should be organized on regular basis to increase the efficiency of the employees. Proper evaluation of the performance of the staff should be done in time. Continuous and timely evaluation of performance is must for improving the managerial efficiency of the bank. Job analysis should be done to find out the skill, knowledge, abilities etc. of the staffs that is needed for the better performance.

- Finally, for the speedy development of the nation, the government owned banks as well as the private sector banks are suggested to follow decentralization policy in order to extend the modern and computerized banking facilities towards the marginal areas and for assuring the reach of remote area people in modern banking facilities.

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Appendix- I

Financial Analysis

Growth of Loan and Advance

NBL   **(Rs. in million)**

Year	Loan and Advance	growth%
2008/09	19823.1	--
2009/010	19266.1	-0.0281
2010/011	19141.7	-0.0065
2011/012	17456.0	-0.0881
2012/013	12180.0	-0.3022

SCBL   **(Rs. in million)**

Year	Loan and Advance	growth%
2008/09	6352.0	--
2009/010	6080.7	-0.0427
2010/011	6729.6	0.1067
2011/012	8214.0	0.2206
2012/013	8505.0	0.0354

Growth of Investment

NBL   **(Rs. in million)**

Year	Investment	Growth%
2008/09	12312.5	--
2009/010	11722.8	-0.0478
2010/011	10593.8	-0.0963
2011/012	13838.6	0.3063
2012/013	11776.3	-0.1490

SCBNL

Year	Investment	Growth%
2008/09	6982.3	--
2009/010	6722.8	-0.0371
2010/011	7948.2	0.1823
2011/012	7204.6	-0.0936
2012/013	8644.5	0.1999

Growth of Return

NBL   **(Rs. In million)**

Year	Return	Growth%
2008/09	3432.2	--
2009/010	-482.9	-0.1407
2010/011	-371	-0.2317
2011/012	1399.5	-4.7722
2012/013	2329.7	0.6647

SCBNL   **(Rs. in million)**

Year	Return	Growth%
2008/09	489.3	---
2009/010	469.9	-0.0390
2010/011	556.7	0.1847
2011/012	537.9	-0.0338
2012/013	662.2	0.2311

Appendix - II

Analysis of correlation coefficient between deposit and total investment

NBL

Total Deposit(X)	Total Investment(Y)	$X=(x-\bar{x})$	X^2	$Y=(y-\bar{y})$	Y^2	XY
33320.42	12312.5	-25576.94	654179860	263.7	69537.69	-6744639.078
34,737.40	11722.8	5828.04	33966050.2	-326	106276	-1899941.04
36,288.50	10593.8	7379.14	54451707.1	-1455	2117025	-10736648.7
34,744.20	13838.6	5834.84	34045357.8	1789.8	3203384.04	10443196.63
35,444.30	11776.3	6534.94	42705440.8	-272.5	74256.25	-1780771.15
144546.8	60244		**819348416**		**5570478.98**	**-10718803.34**

Correlation Coefficient = -0.766

Calculations for t-test (t) = $\dfrac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$

$$\dfrac{-0.766}{\sqrt{1-0.588}} \times \sqrt{4-2} = 1.68$$

SCBNL

Total deposit(x)	Total investment(y)	$X=(x-\bar{x})$	X^2	$Y=(y-\bar{y})$	Y^2	XY
17352.2	6982.3	-2580.52	6659083.47	-518.18	268510.5124	1337173.854
18755.5	6722.8	-1177.22	1385846.93	-777.68	604786.1824	915500.4496
21161.4	7948.2	1228.68	1509654.54	447.72	200453.1984	550104.6096
19344	7204.6	-588.72	346591.238	-295.88	87544.9744	174190.4736
23050.5	8644.5	3117.78	9720552.13	1144.02	1308781.76	3566802.676
99663.6	**37502.4**		**19621728.3**		**2470076.628**	**6543772.062**

Correlation Coefficient = 0.939

Calculations for t-test (t) = $\dfrac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$

$$\dfrac{0.939}{\sqrt{1-0.939}} \times \sqrt{4-2} = 1.39$$

Appendix - III

Correlation Coefficient between Deposit and Loan and Advance

NBL

Total deposit(x)	Loan &advance	X=(x-$\bar{x}$)	X²	Y=(y-$\bar{y}$)	Y²	XY
33320.42	19823.1	-25576.94	654179860	2249.72	5061240.078	-57540953.46
34737.4	19266.1	5828.04	33966050.2	1692.72	2865300.998	9865239.869
36288.5	19141.7	7379.14	54451707.1	1568.32	2459627.622	11572852.84
34744.2	17456	5834.84	34045357.8	-117.38	13778.0644	-684893.5192
35444.3	12180	6534.94	42705440.8	-5393.38	29088547.82	-35245414.7
144546.8	**87866.9**		**819348416**		**39488494.59**	**-72033168.96**

Correlation Coefficient = -0.1014

Calculations for t-test (t) = $\dfrac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$

$$\dfrac{0.1014}{\sqrt{1-0.1014}} \times \sqrt{4-2} = 0.1523$$

SCBNL

Total Deposit(X)	Loan & Advance	$X=(x-\bar{x})$	X^2	$Y=(y-\bar{y})$	Y^2	XY
17352.2	6352	-2580.52	6659083.47	-824.26	679404.5476	2127019.415
18755.5	6080.7	-1177.22	1385846.93	-1095.56	1200251.714	1289715.143
21161.4	6729.6	1228.68	1509654.54	-446.66	199505.1556	-548802.2088
19344	8214	-588.72	346591.238	1037.74	1076904.308	-610938.2928
23050.5	8505	3117.78	9720552.13	1328.74	1765549.988	4142718.997
99663.6	**35881.3**		**19621728.3**		**4921615.712**	**6399713.054**

Correlation Coefficient = 0.651

Calculations for t-test (t) $= \dfrac{r}{\sqrt{1-r^2}} \times \sqrt{n-2} = \dfrac{0.651}{\sqrt{1-0.651}} \times \sqrt{4-2} = 1.558$

Appendix - IV

Trend analysis

For calculating the trend value we have;   Yc = a + bX

　　　　Where,

$$a = \frac{\sum X_2}{n}$$

$$b = \frac{\sum X_1 X_2}{\sum X_1^2}$$

2.2. i. Trend analysis of total investment to total deposit ratio:

NBL

Year(x)	$X_1 = (x - 2010/11)$	X_1^2	X_2	$X_1 X_2$	$Yc = a + b X_1$
2008/09	-2	4	36.951	-73.902	34.862
2009/010	-1	1	33.746	-33.746	34.725
2010/011	0	0	29.193	0	34.588
2011/012	1	1	39.829	39.829	34.451
2012/013	2	4	33.224	66.448	34.314
Total	**0**	**10**	**172.943**	**-1.371**	
2013/14	3	9			34.177
2014/15	4	16			34.040
2015/16	5	26			33.903
2016/17	6	36			33.766

$$a = \frac{\sum X_2}{n} = 34.588 \qquad b = \frac{\sum X_1 X_2}{\sum X_1^2} = -0.137$$

SCBNL

year(x)	$X_1 = (x - 2010/11)$	X_1^2	X_2	$X_1 X_2$	$Yc=a+b\,X_1$
2008/09	-2	4	40.24	-80.48	38.491
2009/010	-1	1	35.84	-35.84	38.084
2010/011	0	0	37.56	0	37.677
2011/012	1	1	37.24	37.24	37.27
2012/013	2	4	37.50	75	36.863
Total	**0**	**10**	**188.38**	**-4.08**	
2013/14	3	9			36.456
2014/15	4	16			36.049
2015/16	5	26			35.642
2016/17	6	36			35.235

$$a = \frac{\sum X_2}{n} = 37.677 \qquad b = \frac{\sum X_1 X_2}{\sum X_1^2} = -0.407$$

2.2. ii. Trend analysis of loan and advance to total deposit ratio:

NBL

year(x)	$X_1 = (x - 2010/11)$	X_1^2	X_2	$X_1 X_2$	$Yc=a+b\,X_1$
2008/09	-2	4	59.492	-118.984	61.555
2009/010	-1	1	55.462	-55.462	56.008
2010/011	0	0	52.748	0	50.461
2011/012	1	1	50.241	50.241	44.914
2012/013	2	4	34.363	68.726	39.367
Total	**0**	**10**	**252.306**	**-55.479**	
2013/14	3	9			33.82
2014/15	4	16			28.273
2015/16	5	26			22.726
2016/17	6	36			17.179

$$a = \frac{\sum X_2}{n} = 50.461 \qquad b = \frac{\sum X_1 X_2}{\sum X_1^2} = -5.54$$

SCBNL

year(x)	$X_1 = (x - 2010/11)$	$X_1{}^2$	X_2	$X_1 X_2$	$Yc = a + b X_1$
2008/09	-2	4	36.606	-73.212	33.9124
2009/010	-1	1	32.42	-32.42	34.9748
2010/011	0	0	31.801	0	36.0372
2011/012	1	1	42.462	42.462	37.0996
2012/013	2	4	36.897	73.794	38.162
Total	**0**	**10**	**180.186**	**10.624**	
2013/14	3	9			39.2244
2014/15	4	16			40.2868
2015/16	5	26			41.3492
2016/17	6	36			42.4116

$$a = \frac{\sum X_2}{n} = 36.03 \qquad\qquad b = \frac{\sum X_1 X_2}{\sum X_1{}^2} = 1.062$$

Appendix-V

Calculation of Total Investment to Total Deposit Ratio of NBL & SCBNL

Fiscal Year	NBL			SCBNL		
	Investment	Deposit	Ratio	Investment	Deposit	Ratio
2008/09	12312.5	33320.42	36.95	6982.3	17352.2	40.24
2009/010	11722.8	34737.40	33.75	6722.8	18755.5	35.84
2010/011	10593.8	36288.50	29.19	7948.2	21161.4	37.56
2011/012	13838.6	34744.20	39.83	7204.6	19344	37.24
2012/013	11776.3	35444.30	33.22	8644.5	23050.5	37.50
Average			34.59	Average		37.68
SD			4.02	SD		1.59
CV			11.63	CV		4.23

Appendix-VI

Calculation of Loan & Advance to Total Deposit Ratio of NBL & SCBNL

Fiscal Year	NBL			SCBNL		
	Loan & Adv.	Deposit	Ratio	Loan & Adv.	Deposit	Ratio
2008/09	19823.1	33320.42	59.49	6352	17352.2	36.61
2009/010	19266.1	34737.40	55.46	6080.7	18755.5	32.42
2010/011	19141.7	36288.50	52.75	6729.6	21161.4	31.80
2011/012	17456	34744.20	50.24	8214	19344	42.46
2012/013	12180	35444.30	34.36	8505	23050.5	36.90
Average			50.46	Average		36.04
SD			9.63	SD		4.28
CV			19.08	CV		11.88

Appendix-VII

Calculation of Credit Deposit Ratio of NBL & SCBNL

Fiscal Year	NBL			SCBNL		
	Credit	Deposit	Ratio	Credit	Deposit	Ratio
2008/09	32135.6	33320.42	96.44	13334.3	17352.2	76.85
2009/10	30988.9	34737.40	89.21	12803.5	18755.5	68.27
2010/11	29735.5	36288.50	81.94	14677.8	21161.4	69.36
2011/12	31294.6	34744.20	90.07	15418.6	19344	79.71
2012/013	23956.3	35444.30	67.59	17149.5	23050.5	74.40
Average			85.05	Average		73.72
SD			11.03	SD		4.87
CV			12.97	CV		6.61