

Chapter I

INTRODUCTION

Introduction

1.1 Background of the Study

Marketing can be defined in a simple manner as the activities done by the company to take the product from the place of production to the place of consumption. Similarly, it means the transfer of ownership of a product or service in exchange of same value.

Thus, the essence of marketing is a transaction or exchange. In this broad sense, marketing consists of activities designed to generate and facilitate exchanges intended to satisfy human needs or wants.

*Marketing is often dynamic, challenging and rewarding. It can be frustrating even disappointing. But it is never dull. It is changing and interesting.*¹



American Marketing Association defines marketing as “*The performance of business activities that direct the flow of goods and services from the producer to consumer or user.*”² This definition merely stresses marketing function involved in the movement of goods and services from the plant door to the buyer. Later on AMA defines marketing in some broad concept as “*Marketing is the process of planning & executing the conception, pricing, promotion & distribution of ideas, goods & services to create exchanges that satisfy individual and organizational objectives.*”³

This definition focuses on the following aspects of marketing

-) It recognizes marketing as a process
-) Marketing activities are undertaken to create exchanges that meet individual and organizational goals

¹ Samton, Etzel & Walker (2002), Fundamentals of Marketing (10th Edition), New Delhi: McGraw Hill – India, Page 5

² Koirala, K.D. (2000), Marketing Management, Kathmandu: M.K. Publishers, Page 5

³ Bennet, P.D. (Ed.), Dictionary of Marketing Terms, Chicago- USA: AMA, 1995, Page 8

According to Philip Kotler “Marketing is a social process by which individuals & groups obtain what they need and want through creating offering and freely exchanging products & services of value with others.”⁴

This definition focuses on the following aspects of marketing

-) Marketing is a social process performed by individuals and groups.
-) Marketing is performed for meeting needs and wants of products.
-) Marketing is concerned with creating, offering and exchanging products and services.

Cundiff and Still defines marketing *as the business process by which products are matched with markets through which transfers of ownership are affected.*⁵

Similarly, E. J. McCarthy defines *marketing as a means of performing activities which direct the flow of goods and services from producer to consumer.*⁶

Marketing as a social science is a modern development. In this concept, marketing is based on the following four fundamental principles:

- a) Target Market Focus: Defined boundaries for marketing operations and follow of the market by tailored business strategy.
- b) Customer Orientation: Customer satisfaction as the main marketing focus.
- c) Integrated Marketing: Integration and co-ordination of various marketing strategies within the organization.
- d) Profitability: Analysis of every business opportunity from the view point of profitability and survival of the organization.

The new marketing concept assumes that consumers will favour those products that satisfy their needs and wants. The focus therefore is to create products that satisfy the needs of the consumers.

⁴ Kotler, P. (2000), Marketing Management (Millennium Ed.), New Delhi: Prentice Hall – India, Page 9

⁵ Cundiff, E. W. & Still, R. R. (1999), Basic Marketing Concepts, Environment and Decisions, New Delhi: Prentice Hall – India, Page 2

⁶ McCarthy, E. J. (1975), Basic Marketing (5th ed), New Jersey, USA: Prentice Hall Inc., Page 8

Marketing Strategies

The term strategy originally applied to the art of military generalship. In business, a strategy is a broad plan of action by which an organization intends to reach its objectives.

The marketing strategy is the game plan for achieving the broad corporate objectives and specific SBU goals. It is based on the marketing goals and is formulated by the marketing department. The strategy formulation involves designing strategies related to product – market scope, product positioning, and product or customer specific marketing mix. The marketing department must specify the financial, social and human resource costs and risk involved in the implementation of strategy.

According to Philip Kotler – “Strategy is a game plan for getting to the goals what a business unit wants to achieve.”⁷ Every business must tailor a strategy for achieving its goals, consisting of a marketing strategy and a compatible technology.

1.2 Origin and growth of Commercial Bank in Nepal

1.2.1 Meaning of Bank

Banks are among the most important financial institutions in the economy and essential business in thousands of local towns and cities. In this context, there is much confusion about exactly what a bank is. Certainly, banks must be identified by the function (service and roles) they perform in the economy. The problem is not only that the functions of bank are changing, but the functions of their principal competitors are also changing. Indeed, many financial institutions including securities dealers, brokerage firms and insurance companies are trying to be as similar as possible to banks in services they offer. On the contrary,

⁷ Kotler, P. (2000), Marketing Management (Millennium Edition), New Delhi: Prentice Hall – India, Page 80

brokers area challenging these non-banking competitors by lobbying for expanded authority. Hence, the meaning of a bank is better to be precise and clear.

The word bank is derived from the Latin word 'Bancus' which refers to the 'Bench' on which the bankers would keep its money and their records, some person trace its origin to the French word 'Banke' and the Italian word 'Banco' which means a 'Bench' keeping, lending and exchanging money or coins in the market place by money lenders and money exchangers.

Generally, an institution established by law, which deals with money and credit is called bank. It is obvious that in a common sense, an institution involved in monetary transaction is called bank. A bank simply carries out the work of exchanging money, providing loan, accepting deposit and transferring money. Generally, bank accepts deposits from business institutions and individuals, which is mobilized into productive sectors mainly business and consumer lending. Banks is, therefore, known as a dealer of money. At present context, bank is not only confined to accepting deposits and disbursing loan. In addition to this, a bank may be engaged in different types of functions such as remittance, exchange currency, joint venture, under writing, bank guarantee, discounting bills, etc.

1.2.2 Growth of Commercial banks in Nepal

In the context of Nepal, our history of banking sector is rather more slow evolution. Even now, the banking system is still in the evolutionary phase. The origin of bank in Nepal and its beginning of growth is controversial. However, stage wise development of banking can be narrated as follows:

1. *The First Phase of Banking Development-*

As far as banking is concerned with debt, we may go back in the Nepalese history, where a merchant namely "Sankhdhar" is recorded. He was the person who alone paid all debts of the people existing in the country at that time. Since then he introduced a

new era called “Nepal Sambat”. This record proves the existence of money lending function at that time.

During the courses of development of borrowing, we further come across the term ‘Tanka Dhari’ at the end of the 14th century moneylenders. They are one of the 64 castes classified based on occupation.

During the reign of Ranodip Singh, an office named “Tejarath Adda” was established in Kathmandu in 1933 (B.S). The main purpose of this institution was to provide credit facilities to the government officials and the people against deposit of gold and silver at a minimum interest rate of 5%.It had extended its branches out side Kathmandu valley for giving loan. But this office had no characteristics of modern banks. Nevertheless, we say that the institutional banking system had started from then.

2. The Second Phase of Banking Development-

i. Nepal Bank Limited:

Nepal Bank limited is the first modern bank of Nepal. It is taken as the milestone of modern banking of the country. Nepal Bank Limited was established under the Nepal Bank Act 1994(1938) on 30th Kartik. The Nepal Bank Limited is the oldest bank of Nepal. At, first though this bank was given the authority and responsibility of central bank, but with the change of time, it was necessary to establish a Central Bank.

ii. Nepal Rastra Bank (Central Bank):

Until mid 1940s, metallic coins were used as medium of exchange. Therefore, the H.M.G felt the need of separate institution to issue national currencies and promote financial organization in the country. Hence under the Nepal Rastra Bank Act 2012(1956), Nepal Rastra Bank was established in 2013(1957), Baishak 14th in Nepal. But this Act has been repealed and the Nepal Rastra Bank Act 2058 (2002) has been enacted by the parliament. After its establishment, it issued the Nepali notes on 7th Falgun.

This is the bank of banks. To fulfill the necessity of the financial institutions to achieve the fixed goal of the project (the first 5 years plan, Nepal Industrial Development Corporation 2016, Agricultural Development Bank, 2024(1968), the National Insurance Corporation were established under the special considerations of this bank.

iii. Rastriya Banijya Bank:

Rastriya Banijya Bank was second commercial bank to be established in Nepal. This bank was established in government sector in 2022 (1966) under the Banijya Bank Act 2021 (1965) according to the recommendation of the Nepal Banijya Bank. After enacting the Commercial Bank Act 2031 (1974), both the Banijya Bank Act 2020 and the National Banijya bank Act 2021 (1965) were repealed.

iv. Agricultural Development Bank:

As the agriculture is the basic occupation of major Nepalese, the development of the sector plays the prime role in the economy. So, under the Agriculture Development Bank Act 2024 (1968, 1967), the Agriculture Development Bank was established on 2024 (1968), 7th Magh. This is the first institution in agricultural financing.

3. *The Third phase of Banking Development:*

For more than two decades, no more banks had been established in the country. After declaring free economy and privatization policy, H.M.G encouraged the foreign banks for joint venture in Nepal. This some banks are opened on the joint investment basis. Brief accounts of such bank are as follow:

i. Nepal Arab Bank Ltd (NABIL Bank Ltd.):

Nabil Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil provides a full range of commercial banking services through its 47 points of representation across the kingdom and over 170 reputed correspondent banks across the globe.

Nabil, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, representative a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a local objective while doing business.

Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Banks is fully equipped with modern technology which included ATMs, credit cards, state of art, world-renowned software from Infosys Technologies System, Bangalore, India, Internet banking system and Telebanking system.

ii. Nepal Investment Bank Limited:

Nepal Investment Bank Ltd. (NIBL), previously renowned as Nepal Indosuez Bank Ltd., was established as a third venture bank with the French partners holding 50% share capital on 21st Jan 1986. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one the largest banking group in the world. With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists & businessman, has acquired on April 2002, the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd. The name of the bank has been changed to Nepal Investment Bank Ltd. upon approval of bank's Annual General Meeting, Nepal Rastra Bank & Company Registrar's Office

iii. Standard Chartered Bank Nepal Limited:

Nepal Grinlays Bank was established as a joint venture between ANZ Grindlays and Nepal Bank Limited. This bank is now known as Standard Chartered Bank Nepal Limited since July 2001. This bank was registered in 2043 B.S. (1986), 16th Magh under the Commercial Bank Act 2031 and the Company Act 2021.

iv. Himalayan Bank Limited:

Himalayan Bank Limited is a joint venture with Habib Bank Ltd. of Pakistan. It started its operation in 2049, 5th Magh with Paid-up Capital of Rs 60 millions.

v. Nepal SBI Bank Limited:

Nepal SBI Bank Ltd is a joint venture between Employees Provident Fund, Agricultural Development Bank and State Bank of India, where Indian bank holds 50% of the equity. It was established in 2050, 23rd Ashad. The initial Paid-up Capital was Rs 119.952 million in 2050 B.S. (1993).

vi. Nepal Bangladesh Bank Ltd.:

Nepal Bangladesh Bank was established in 2050 B.S. (1994), 23rd Jestha in technical collaboration with IFIC Bank Ltd. of Bangladesh.

vii. Everest Bank Limited:

Everest Bank Limited started its operation in 2051 B. S. (1994), 1st Baishak under the Commercial Bank Act 2031 (1974) and Company Act 2021 (1965). It enters into joint venture with Punjab National Bank of India (PNB). PNB hold 20% equity stake in the bank.

viii. Bank of Kathmandu Ltd.:

Bank of Kathmandu Limited has become a prominent name in the Nepalese banking sector. As per the bank, whatever activity they undertake; they put in conscious efforts to glorify their corporate slogan, “We make your life easier”.

The bank elucidate that, Bank of Kathmandu is committed to delivering quality services to customers, generating good return to shareholders, providing attractive incentives to employees and serving the community through stronger corporate social responsibility endeavor.

Bank of Kathmandu (BOK) has today become a landmark in the Nepalese banking sector by being among the few commercial banks which is entirely managed by Nepalese professionals and owned by the general public.

BOK started its operation in March 1995 with the objective to stimulate the Nepalese economy and take it to newer heights. BOK also aims to facilitate the nation’s economy and to become more competitive globally.

ix. Nepal Credit & Commerce Bank Limited:

Nepal Credit and Commerce Bank Ltd. was established in 28th Ashwin 2053 B.S. The bank was previously known as Nepal Bank of Ceylon Ltd. and were opened in Nepal under the joint venture investment with Bank of Ceylon a leading bank of Sri Lanka. But Sri Lankan investors sold its equity to the NB group of Nepal and its name has been changed to Nepal Credit and Commerce Bank Limited.

x. Lumbini Bank Limited:

Lumbini Bank was established in the years 2055 B. S., 1st Shrawn in Narayangadh. This is the first regional commercial bank of Nepal.

xi. Nepal Industrial & Commercial Bank Ltd.:

Nepal Industrial & Commercial Bank Ltd. was established in 2055 B.S. It has not been joint venture with any foreign bank.

xii. Machhapuchchhre Bank Limited:

Machhapuchchhre Bank Limited was registered in 1998 as a first regional commercial bank to start banking business from the western region of Nepal with its head office in Pokhara. Today, with a paid up capital of above 1627 million rupees, it is one of the full fledged commercial bank operating in Nepal; and it ranks in the topmost among the private commercial banks.

Machhapuchchhre Bank Limited is striving to facilitate its customer needs by delivering the best of services in the combination with the state of art technologies and best international practices.

Machhapuchchhre Bank Limited is the pioneer in introducing the latest technology in the banking industry in the country. It is the first bank in Nepal to introduce centralized banking software named **GLOBUS BANKING SYSTEM** developed by Temenes NV, Switzerland. Currently it is the using the latest version of GLOBUS, referred as **T-24 BANKING SYSTEM**. The bank provides modern banking facilities such as Any Branch Banking, Internet Banking and Mobile Banking to its valued customers.

The bank in the last few years have really opened up with branches spread all around the country. At this stage, it has Corporate Office in Kathmandu and branch offices in other parts of Kathmandu, Damauli, Bhairahawa, Birgunj, Banepa, and different parts of Pokhara in addition to the Head Office in Naya Bazar, Pokhara. A full-fledged banking branch is in operation in Jomsom located high up in the mountains too. The bank aims to serve the people of both the urban and rural areas.

xiii. Kumari Bank Limited:

Kumari Bank Ltd. was established in 24th Mangsir, 2056 B.S. Its head office is in Kathmandu. This bank has introduced internet banking which is a Hi- Tech banking system of the world.

xiv. Laxmi Bank Limited:

Laxmi Bank was incorporated in April 2002 as a commercial bank. Its Head Office is situated in Adarsh Nagar, Birgunj. The current shareholding constitutes of promoters holding 55.42 percent, Citizen Investment Trust holding 9.02 percent and the general public holding 35.56 percent.

Laxmi Bank has grown with branches in Birgunj, Banepa, two in Pokhara, Biratnagar, Narayanghat, Pulchowk, Lalitpur, Teku, New Road, Janakpur, New Baneshwor, Damak, Bhatbhateni, Itahari and Maharajgunj. Following the merger with Hisef Finance Ltd., a decade old first generation finance company, its office in Hattisar, Kathmandu was converted to that of Laxmi Bank. This office was converted to a full branch and corporate office in October 2005.

xv. Siddhartha Bank Limited:

Siddhartha Bank Limited (SBL) established in 2002 and promoted by prominent personalities of Nepal, today stands as one of the consistently growing banks in Nepal. While the promoters come from a wide range of sectors, they possess immense business acumen and share their valuable experiences towards the betterment of the Bank.

Within a short span of time, Siddhartha Bank has been able come up with a wide range of products and services that best suits its clientele. Siddhartha Bank has been posting growth in its portfolio size and profitability consistently since the beginning of its operations. The management of the Banks has been thoroughly professional.

Siddhartha Bank has been able to gain significant trust of the customers and all other stakeholders to become one of the most promising commercial banks in the country in less than 10 years of its operation. The Bank is fully committed towards customer satisfaction. The range and scope of modern banking products and services the Bank has been providing is an example to its commitment towards customer satisfaction. It is this commitment

that has helped the Bank register quantum growth every year. And the Bank is confident and hopeful that it will be able to retain this trust and move even further towards its mission of becoming one of the leading banks of the industry

xvi. Global Bank Limited:

Global Bank Ltd. was established in 2063 B.S. Its Head Office is situated in Birgunj and Corporate Office and Main Branch Office is situated in Kathmandu.

xvii. Citizens Bank International Limited:

Citizens Bank Int'l Ltd. was established in 2063 B.S. Its Head Office is located at Sharada Sadan, Kamaladi, Kathmandu, the heart of financial sector of the country. It is promoted by eminent personalities/business and industrial houses and reputed individuals having high social standing. It is managed by a team of experienced bankers and professionals.

xviii. Prime Bank Limited

Prime Commercial Bank has been established by prominent business personnel and professionals from diversified areas with a prime objective of providing 'Banking Services to Everyone' in the country where still large number of population are deprived of Banking Services.

The bank has been established with following capital:

Authorized Capital	NPR. 150 crores
Issued Capital	NPR. 100 crores
Paid up Capital	NPR. 70 crores

xix. Bank of Asia Nepal Ltd.

Bank of Asia Nepal Limited is the 22nd commercial bank of Nepal. It is incorporated under the companies Act 2063 as 'A' Class financial institution. It started its full-fledged commercial

operations from 12th October 2007 from its registered office at Tripureshwor. BOA has 10 branches as of date.

xx. Sunrise Bank Ltd.

Sunrise Bank Limited is the 23rd commercial bank of Nepal. It is incorporated under the Company Act 2063 as 'A' Class financial institution. It started its full-fledged commercial operations from October 2007 from its registered office at Gairidhara, Kathmandu.

xxi. DCBL Bank Ltd.

DCBL Bank Limited came into operation in 2001 as development bank backed by the expertise of the professional bankers, prominent industrialists, entrepreneurs, bureaucrats and career diplomats.

The Bank has been providing diversified services to its clientele by offering its products in the form of Loans, Guarantees and Venture Capital etc. The bank has started its operation in the capacity of 'A' class commercial bank since May 2008. We have, at present total 21 branches including the Head Office at Kamaldi.

The idea behind renaming is to purge the puzzlement in people's mind, giving them the clear view about us being the 'A' class Commercial Bank, as it was observed that our clients were still in confusion, about us being Commercial Bank.

The policy of the Bank is to create a relationship with the customer based on shared vision and mutual understanding for mutual benefit. It focuses in providing qualitative and diversified banking services backed by efficient personal approach at desired level.

xxii. NMB Bank Ltd.

NMB Bank Limited licensed as "A" class financial institution by Nepal Rastra Bank in May 2008 has been operating in Nepalese

Financial market for over fifteen years and is one of the leading commercial banks in the banking industry. Since its inception, the Bank has been continuously endeavoring to win the trust of its customer which has resulted to ever increasing customer base and more importantly attained customer's delight through its different products and services.

xxiii. KIST Bank Ltd.

Kist Bank, established in 2003, with a vision of becoming the best Bank on operational excellence and superior financial performance, has the authorized Capital of NPR 10 billion; issued capital of NPR 5 billion and Paid-Up Capital NPR 2 billion.

60% of the paid-up capital is held by the promoters and remaining 40% by the general public. The share of the Bank is listed at Nepal Stock Exchange Limited (NEPSE), the only Stock Exchange in the country as 'A' category company. The Bank has a seven member Board Of Directors with the representation of three Directors from the promoter;s group, two Directors from general public and one as Professional Director.

Kist Bank stands for customer's convenience and support. The Bank is driven by values of efficiency in operations, integrity and a strong focus on catering the needs of every customer by offering high quality and cost effective products and services.

The Bank has wider range of products and services, which covers Business Banking, Institutional Banking, Small and Medium Enterprises Banking, Consumer Banking, Micro-Financing, Transaction Banking. The Bank has also been providing Cards, Remittance, Internet Banking, Mobile Banking (both through four wheeler vehicle and cell phone), etc services.

The Bank has 365 days banking and provides evening banking services from all branches. Free of cost deposit and withdrawl services are available from all branches.

The Bank is equipped with a robust system for Risks Management. The professional management team, along with dedicated employees, is always looking forward to serving the customers, understanding their needs and designing their needs

and designing the tailored made products and services, who are equipped with a state-of-art technology and IT infrastructure.

xxiv. Janata Bank Nepal Ltd.

Janata Bank Nepal Limited is the 27th commercial bank establishes under the Bank & Financial Institution Act, 2063. The bank's corporate and banking office is located at Sankhamul Marg, New Baneshwor, Kathmandu. Currently the bank is operating with 24 branches and will gradually expand its branch network to provide its service all over the country. With 836 promoters, the bank is the first licensed commercial bank to have an initial paid up capital of NPR 2 billion.

4. *The Fourth Phase of Banking Development:*

After the restoration of democracy in Nepal, there was tremendous development in banking sector. Rural Development Bank were also established in Nepal. Until now, five rural development banks have been in operation in Nepal. They are as follows:

- i. Eastern Rural Development Bank Limited in Biratnagar.
- ii. Far Western Rural Development Bank Limited in Dhangadhi.
- iii. Western Rural Development Bank Limited in Butwal.
- iv. Mid Western Rural Development Bank Limited in Nepalgunj.
- v. Middle Rural Development Bank Limited in Janakpur.

5. *The Fifth Phase of Banking Development:*

Banking development in this phase is satisfactory. Before the Development Bank Act 2052 (1995), was enacted; only Nepal Industrial Development Corporation and the Agricultural Development Bank were established. However, after the introduction of the Development Bank Act, 2052 (1995), more than 16 development banks have been opened in different places of Nepal. Some of the name of these banks with their Head Office is - Triveni Bikas Bank Ltd., Narayanghat, Chitwan

- Nirdhan Utthan Bank Ltd., Siddhartha Nagar, Rupandehi
- Malika Development Bank Ltd., Kailali
- Rural Micro Finance Development Center, Kathmandu
- Siddhartha Development Bank Ltd., Butwal
- Cottage & Small Industry Development Bank Ltd., Kathmandu
- Diproska Development Bank Ltd.
- Public Development Bank Ltd., Birgunj
- United Development Bank Ltd., Jeetpur, Bara

1.2.3 Types of Banks in Nepal

Today is the age of specialization, bank differs according to their nature. A bank cannot perform all sorts of functions. So today's banks are opened differently according to their nature, which are briefly explained in the paragraphs it follows:

1. Central Bank-

Central bank is the supreme bank of a country that controls all the monetary system and banking structure, issues coins and notes, controls the credit of money, performs agency and banking services to the government and manages the foreign currency reserve of the whole country. In the case of Nepal, Nepal Rastra Bank is the central bank, which was established in 2013 (1957) under the Nepal Rastra Bank Act 2013 (1956). It can accept the credit of Nepal Government, Commercial banks, the financial institutions, government's offices and provides loan to the Nepal Government, Commercial banks, and the financial institutions.

2. Commercial Bank-

The banks which perform all kinds of banking business, are called commercial banks. In Nepal, there are many commercial banks, which are mentioned above the Nepal Bank Limited, the Rastriya Banijya Bank, the Nabil Bank Limited, the Machhapuchchhre Bank Limited, the Bank of Kathmandu, etc. Now, there are all together 25 commercial banks operating in the country. Generally, commercial banks deal with finance, trade and commerce. These

banks normally advance short-term loans to the businesspersons and traders.

3. Development Bank-

Development Bank is the bank established to promote the development of a particular sector of economy. Generally, it is established by the governmental sector. In context of Nepal, Nepal Industrial Development Bank Corporation is the first development bank of the country, which was established in 2018 B.S. In 2048 B.S., Agricultural Development Bank was established as second development bank of the country.

4. Exchange Bank-

No exchange bank separately is opened in Nepal. Exchange banks deals in foreign exchange of currency. They are specialized in financing foreign trade. They are also known as Export and Import Bank. They facilitate international payment.

5. Saving Bank-

The main purpose of saving banks is to mobilize the small savings and to promote saving habits among the public in a country. In Nepal, Hulak Bachat Bank (Postal saving bank) was set up in 2019 B.S. to encourage saving habit of the poor people. Now it is operating under Postal Service Department of Nepal Government. However, there are other banks in Nepal, which work in the place of such banks.

6. Co-operative Bank-

The bank established under Co-operative Act is known as Co-operative Bank. They collect small deposits, mobilize small savings and provide short term and medium term loans to their members. In Nepal, Co-operative Act was introduced in Nepal in 2048 B.S. Under this Act, Navajeevan Co-operative Society Limited was the first such co-operative of Nepal. Since then many co-operative

bank have been established in Nepal. Co-operatives provide limited banking services to the customers.

7. Industrial Bank-

Industrial banks are those banks, which provide short, medium and long-term loans for the establishment of industries in the country. Nepal Industrial Development Corporation was established in 2016 under the Nepal Industrial Development Corporation Act 2016.

8. Indigenous Bank-

Indigenous bankers are the traditional form of the modern bank, which practices banking services privately without banking law, rules and regulations. Generally, indigenous bankers charge higher interest rate in loan. In context of Nepal, indigenous bankers are still playing a dominant role in the economy whatever it is urban or rural area.

9. Merchant Bank-

Any person who is engaged in the business of issue management either by making arrangement regarding selling, buying or subscribing to securities as manager, consultant, advisor or rendering corporate advisory service in relation to such issue management. Merchant banks also accept time deposits and finance in trade and industry. Nepal Sri Lanka Merchant Bank is an example of merchant bank of Nepal.

10. Pension Funds-

They accept legitimate deposits from employees of different organization while they provide loans to different financial institutions and sometimes participate in the financing in trade and industry. Employees Provident Fund is a good example of pension fund in Nepal.

11. Housing Bank-

Housing banks are those banks who collect deposits in the form of time deposits and sell securities in the capital markets where they finance the developments of houses in the country. Nepal Housing Development Finance Company Limited is the example of housing bank in Nepal.

1.2.4 Services provided by Banks in Nepal

At this present era, the role of commercial banks is intensifying very rapidly. It has become a major part of the modern society. The service that commercial banks provide today is more efficient and convenient as compared to services that it used to provide last decades. Commercial banks at this new world of globalization have come up with the wide services like, ATM, Credit Card and Internet banking etc.

The various products and services provided by Commercial banks are as follows:

a. Business Banking;

- Working & Fixed Capital Loan
- Import Loan
- Bills discounting facility under suppliers credit
- Export Loan
- Hire Purchase
- Project Finance
- Mortgage Loan
- Consortium / syndication loan

b. Personal Lending

- Housing & Auto Financing
- Personal & Education Financing

c. Clean Bills

d. Privilege Banking

The Privilege Banking Unit of the banks is committed to serve customers through their sophisticated and state-of-the-art products and services.

e. Remittance

f. E – Banking

g. Bancassurance

h. Trade Finance

i. Others

- Balance Certificate, Safe Deposit Locker, U.S. Visa Fee, etc.

1.2.5 Brief information about Product offer by various Commercial Banks in Nepal.

Product Name	Bank's Name
Savings Deposit	
1. Lok Bachat	Nabil Bank Limited
2. Student Saving	Nabil Bank Limited
3. Bal Bachat	Nabil Bank Limited
4. Jestha Bachat	Nabil Bank Limited
5. Jestha Mudditi	Nabil Bank Limited
6. Retirement Fund	Nabil Bank Limited
7. Nari Bachat	Nabil Bank Limited
8. Yuba Bachat	Machhapuchchhre Bank Limited
9. Bal Bachat	Nepal Credit & commercial Bank Ltd
10. Mahila Bachat	Nepal Credit & commercial Bank Ltd
11. Kopila Bachat	Bank of Kathmandu Limited
12. Sulabh Bachat	Bank of Asia Nepal Ltd.
13. Jumbo Term Deposit	Himalayan Bank Ltd.
14. NMB Advantage Saving A/c	NMB Bank Ltd.
15. NIC Super Deposit	NIC Bank Ltd.
16. Pledge Loan	Everest Bank Limited
17. Nabil Home Loan	Nabil Bank Limited.

1.3. Statement of problem

In a financial background like bank, a least focus is made for the marketing. The main problem faced by commercial banks in Nepal is they are lack in developing marketing strategy. Marketing and Marketing strategy are two different things, a very few have realized it. Banks are marketing on collecting deposits but they are not involved in developing strategy to attract the market for deposit and lending as well. Major problem for today's commercial banks is lack of proper marketing strategy, well defined plan and lack of action plans according to the strategy.

Everyone knows today's market is very competitive and there is "cut to throat" competition in this line of business. At present there are numbers of commercial banks providing services to its customer through numbers of branches and their network. Gradually, banks have realized that a marketing strategy is required to develop and attract is customer. Where the commercial banks lies and what are the problems faced by commercial banks due to lack of proper marketing strategy are the major statement of problem of this study.

1.4. Objective of the Study

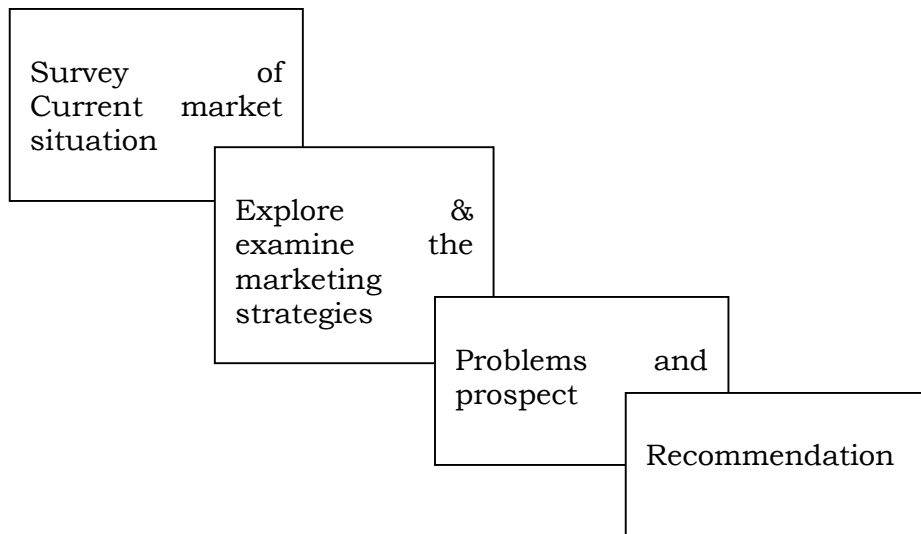
The present study is trying to focus on the marketing strategies adopted by commercial banks in Nepal. Present day market has become a very competitive market and there is a cut throat competition to meet the said targets. Banks today is not only a place of deposit and withdrawal of cheques but it has become a partner to our life.

Those days are gone when banks were treated as a financial institution. Today's bank believes in marketing; marketing of their products, their schemes and getting familiar to the public. With the wide range of marketing, the banks of third phase have adopted some of the marketing strategies to attract their customer, entertain them and retain them for long run.

Marketing in its true sense helps to increase effective demand for a product through the reduction of distribution cost and also helps to explore markets for new opportunities. The impact of marketing is deep and far reaching.

It is difficult for any organization to share its marketing strategies because it is an important aspect to survive in the market. Likewise the market for banks has become very competitive. So the objective sounds difficult. However, it has tried to explore the marketing strategies of commercial banks in Nepal; a case study of Nabil Bank Limited as main objective in this study.

The objectives of the study are enumerated as follows:



i. To survey the current market situation

-) What is the current market situation of commercial banks in Nepal?
-) What are the factors affecting the business of commercial banks?
-) What is the appropriate advertising media?

ii. To study and analyz the marketing strategies

-) What type of strategies the commercial banks in Nepal are following?
-) What are the future plans for the adopted strategies?

iii. Problems and Prospects of Commercial Banks

-) What are the problems faced by commercial banks in Nepal?
-) What are the problems of Commercial banks to sustain in the market?

-) What are the problems faced in implementing marketing strategies?
-) What are the prospects of commercial banks in Nepal?

iv. To supply the appropriate recommendation

-) To recommend the proper marketing strategy through the findings of the study.
-) To recommend the appropriate promotional tools.

1.5. Research Questions / Research problem

This study raises some issues and problems to be studied which are stated below:

-) What are the marketing strategies adopted by the commercial banks in Nepal; while marketing their product?
-) What are the advertising media adopted by the commercial banks of Nepal to advertise their products?
-) What are the major and minor problems faced by the commercial banks in Nepal while implementing the marketing strategies?

1.6. Limitations of the study

It is not possible to complete any study without any shortcomings. Almost all works are based on samples, therefore sometimes sample may not represent population. Every researcher try to prepare an error free research and this is not an exception.

Following limitations are considered for this study:

-) Though there are various types of banks in Nepal but this study is limited to the commercial banks only.
-) The study is based on an Individual commercial bank in Nepal and not all the commercial bank, so this might not represent the whole commercial banks in Nepal.
-) Even though being 47 points of representation of Nabil Bank in various parts of the nation, this study has been undertaken with

Birgunj area as the main area of study considering one of the biggest & major business hub of the country Nepal.

) There may be various types of marketing strategies for e.g. strategy concerned to cover the market after 5 years, strategy to make more profit, strategy to defeat competitors etc. But this study is limited on the marketing strategy concerned to attract customers only.

1.7 Significance of the study

Because of globalization, today market has become very competitive whether marketers are facing problem of not getting target market share over competition or not achieving the budgeted figures.

This study will provide us the marketing strategy and tools adopted by the commercial banks in Nepal; how banks has been affected by the competitive market; how marketing has played a supreme role to the commercial banks in Nepal. The commercial banks management can use this thesis to analyze the market taste and understand the market trend, its demand and the consumer expectations to develop a better marketing strategy.

1.8 Study Plan / Structure of the study

For the systematic presentation and analysis of the study, this study has been organized into five different Chapters. The chapters are further divided under many headings and sub headings, which covers aspects of the study.

Chapter I – Introduction: It includes introduction of the study. General introduction, background, origin and growth of the commercial banks in Nepal, types of banks in Nepal, Services provided by banks, banking products, objective of the study, research problems, limitation of the study, significance of the study and organization of the study are the subheadings under this chapter.

Chapter II – Review of Relative Literature: Different books, unpublished literature, journals and web sites are reviewed for this chapter. It is organized by including the subheadings like; Theoretical framework, review of published and unpublished literature, thesis and dissertation etc.

Chapter III – Research Methodology: Methods of conducting research is explained in this chapter in detail. Chapter explains about the meaning of research, research design, methods of data collection, types of data, area of the study, statistical and mathematical tools used etc.

Chapter IV – Data, Collection, Analysis and Interpretation: This chapter presents the collected data and the analysis made it on. This chapter contains the various products of Nabil Bank Ltd [NABIL], its various services and the marketing strategy adopted by NABIL. To present this chapter, questionnaire is prepared, distributed and collected by undertaking field visits. After collecting the data, they are presented and analysed.

Chapter V – Summary, Conclusion, Findings & Recommendation: Based on the above study major findings are highlighted firstly. Thereafter; conclusion and recommendations has been presented in this chapter.

Chapter II

REVIEW OF RELATIVE LITERATURE

Review of Literature

Review of literature is an essential part of all studies. It is a way to discover what other research in the area of our problem has uncovered. A critical review of literature helps the researcher to develop a through understanding and inside into provides research works that relates to the present day.

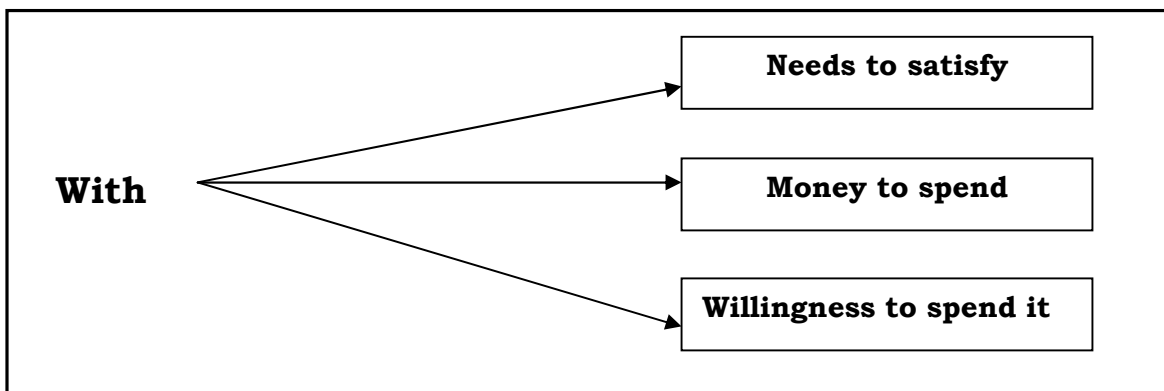
2.1 Theoretical Frame Work

2.1.1 The Market

A market may be defined as a place where buyer and sellers meet, products and services are offered for sales and transfer of possession occur. A market may also be defined as the demand made by a certain group of potential buyers for product or services. “A market consists of all the potential customers sharing a particular need or want that might be willing and able to engage in exchange to satisfy that need or want.”

Fig. 2

A market is people or organizations:



“A market represents the aggregate demand of the buyers and potential buyers for a product or services over a specific period of time.”

2.2. Marketing

Marketing can be defined in a simple manner as the activities done by the company to take the product from the place of production to the place of consumption. Similarly, it means the transfer of ownership of a product or service in exchange of same value.

Thus, the essence of marketing is a transaction or exchange. In this broad sense, marketing consists of activities designed to generate and facilitate exchanges intended to satisfy human needs or wants.

*Marketing is often dynamic, challenging and rewarding. It can be frustrating even disappointing. But it is never dull. It is changing and interesting.*⁸

American Marketing Association defines marketing as “*The performance of business activities that direct the flow of goods and services from the producer to consumer or user.*”⁹ This definition merely stresses marketing function involved in the movement of goods and services from the plant door to the buyer. Later on AMA defines marketing in some broad concept as “*Marketing is the process of planning & executing the conception, pricing, promotion & distribution of ideas, goods & services to create exchanges that satisfy individual and organizational objectives.*”¹⁰

This definition focuses on the following aspects of marketing

-) It recognizes marketing as a process
-) Marketing activities are undertaken to create exchanges that meet individual and organizational goals

According to Philip Kotler “Marketing is a social process by which individuals & groups obtain what they need and want through creating

⁸ Stanton, Etzel & Walker (2002), Fundamentals of Marketing (10th Edition), New Delhi: McGraw Hill – India, Page 5

⁹ Koirala, K.D. (2000), Marketing Management, Kathmandu: M.K. Publishers, Page 5

¹⁰ Bennet, P.D. (Ed.), Dictionary of Marketing Terms, Chicago- USA: AMA, 1995, Page 8

offering and freely exchanging products & services of value with others.”¹¹

This definition focuses on the following aspects of marketing

-) Marketing is a social process performed by individuals and groups.
-) Marketing is performed for meeting needs and wants of products.
-) Marketing is concerned with creating, offering and exchanging products and services.

Cundiff and Still defines marketing *as the business process by which products are matched with markets through which transfers of ownership are affected.*¹²

Similarly, E. J. McCarthy defines *marketing as a means of performing activities which direct the flow of goods and services from producer to consumer.*¹³

Marketing as a social science is a modern development. In this concept, marketing is based on the following four fundamental principles:

- e) Target Market Focus: Defined boundaries for marketing operations and follow of the market by tailored business strategy.
- f) Customer Orientation: Customer satisfaction as the main marketing focus.
- g) Integrated Marketing: Integration and co-ordination of various marketing strategies within the organization.
- h) Profitability: Analysis of every business opportunity from the view point of profitability and survival of the organization.

The new marketing concept assumes that consumers will favour those products that satisfy their needs and wants. The focus therefore is to create products that satisfy the needs of the consumers.

2.3 Marketing Functions

¹¹ Kotler, P. (2000), Marketing Management (Millennium Ed.), New Delhi: Prentice Hall – India, Page 9

¹² Cundiff, E. W. & Still, R. R. (1999), Basic Marketing Concepts, Environment and Decisions, New Delhi: Prentice Hall – India, Page 2

¹³ McCarthy, E. J. (1975), Basic Marketing (5th ed), New Jersey, USA: Prentice Hall Inc., Page 8

Marketing functions are all activities undertaken by the producer to move the goods and services from the place of production to the place of consumption. It may have several transactions involving the flow of ownership and possessions.

According to E. J. McCarthy “*Marketing functions are all those business activities which have to be carried out as part of the process of marketing, e.g. buying, selling storage, transportation, pricing, financing and informing.*”¹⁴

Marketing function is specialized activities performed in marketing. A marketing function is necessary to take the goods and services from the place of origin to place of consumption. Thus it is an act, or operation or services in order to link the original producer and ultimate consumer. The marketing functions are built around the process of marketing involving concentration, equalization and dispersion.¹⁵

Formulating the marketing mix (4 Ps) and conducting the marketing process is also marketing function. Marketing functions are traditionally classified, as physical distribution function and auxiliary functions. Nowadays different writers have classified it differently. The classifications of marketing functions done by S. A. Sherlaker are as follow:¹⁶

- a) Con-factual – This function consists of searching the buyers and sellers.
- b) Merchandising – This function refers with matching the product to customer needs and desire.
- c) Pricing – This function refers to settle the pricing objective determine the optimum price and price decision of the company.

¹⁴ McCarthy, E. J. (1975), Basic Marketing (5th Ed), New Jersey, USA: Prentice Hall Inc., Page 15

¹⁵ Sherlekar, S. A. (1981), Modern Marketing Principle & Practices (1st Ed), New Delhi: Himalayan Publishing House, Page 8

¹⁶ IBID

- d) Promotion – It refers to inform consumer about the product, place and price.
- e) Physical distribution – It refers to decide over the transportation, warehousing, inventory control and order processing.

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- e) Physical distribution – It refers to decide over the transportation, warehousing, inventory control and order processing.

2.4 Marketing Mix

The marketing mix is one of the most fundamental concepts associated with the marketing process. It is well understood by most modern marketers and is systematically applied on many industries especially those that deal with physical products. Yet it is easy to assume that, because most managers have heard about it and or/use it, there is no need to mention it again a book on marketing

The sad truth is that quite often the precise role and scope of the concept and its underlying principles are not fully appreciated by those who tackle about it or use it. Many managers as no more than a theoretical model that helps in understanding the breath of activities encompassed by the marketing task regard it. In many situations it is considered as no more than just ‘selling’ and ‘promoting’. A brief review of the main principles surrounding the marketing mix can help to clarify its true role in the developing amid execution of an effective marketing effort. “The marketing mix is the set of marketing variables which the organization blends to achieve the marketing goal in a defined target market. The marketing mix consists of everything the organization can do influence the demand for its product in the target market.”²⁰

As stated earlier the marketing mix represents as assemblage of tasks and subtasks, which ultimately will help to satisfy the customer’s requirements in such a way as to enable the firm to attain its objectives in a optimum fashion. The subtle part of the concept is that different

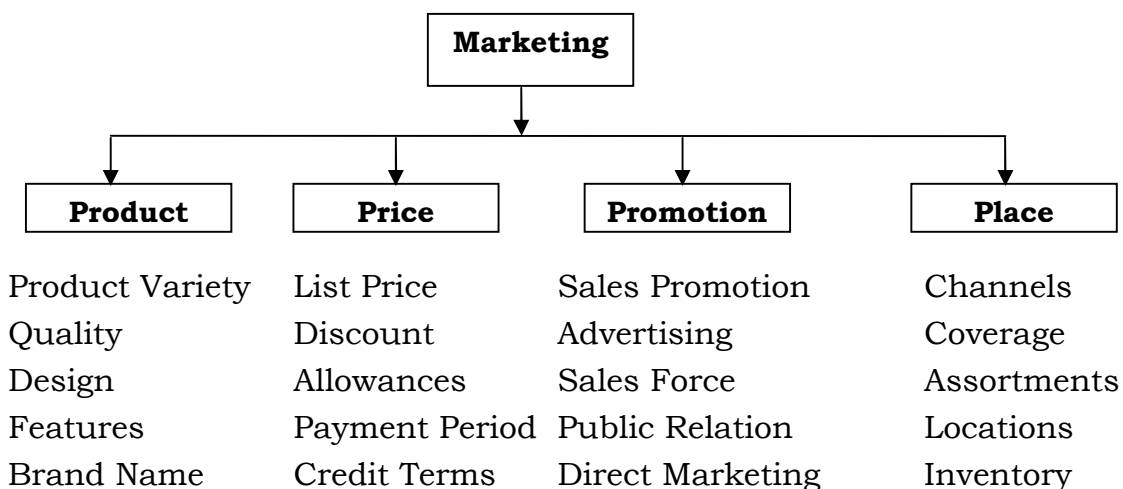
²⁰ McCarthy, Op. Cit

company in the same business may opt to develop different 'mix'. In fact it is this difference that may provide one company with a competitive advantage over its competitors.

The concept of the marketing mix essentially premises that the decision making executive must analyze certain market forces and certain elements of marketing if the executive is ultimately to determine a sound "mix" of marketing elements which promises to be effective and profitable. The "Four Ps Model" of marketing mix has probably gained acceptance because of its elegance rather than its validity in all situations. Regrettably, what has been gained in simplicity has been sacrificed in universal appropriateness. It is easy to find examples of marketing programmers, which do not outset that model is no of universal validity.

The theory underlying the four Ps is that, if one manages to achieve the right product at the right price with the appropriate promotion and in the right place, the marketing program will be effective and successful. However, one must bear in mind that each of the four Ps can be broken down into a number of sub-components. "Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market."²¹

Figure - 3



²¹ Niel H Borden and Martin V. Marshall, Advertising Management, Irwin, Homewood, III 1959 PP-23

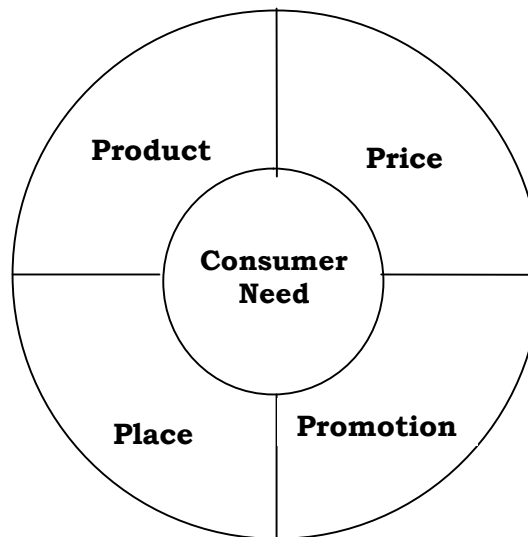
Packaging
Sizes
Services
Warranties
Returns

Transport

“Marketing mix is one of the key concepts in modern marketing. It refers the set of variables that the business uses to satisfy consumer needs.”²²

“Marketing mix may be considered as consisting of four Ps - product, price, promotion and place.”²³

Figure - 4



Variable of Marketing Mix

2.4.1 Product:

Product is one of the most important parts of the marketing mix. Without product we cannot sell or buy the things. The product area is concerned with developing the right product for the target market. This product may involve a physical product and/or some combination of services. The crux of the matter in the product area is to develop something, which will satisfy the customers' needs. Most of the text will be concerned with tangible products, but the principles in most cases also apply to services. It is important to keep this in mind, since the service side of our economy is growing. It is also important to overly occupy with producing and

²² Agrawal, Govinda Ram - "Marketin for Small Business" PP-15

²³ Ibid

selling tangible products. Too many productions – oriented people fall into these trap and neglect important opportunities for satisfying needs in other ways.

“A product is anything that can be offered to a market to satisfy a want or need. Product that is marketed includes physical goods, services, persons, place, organizations and ideas.”²⁴

“The product offered by an organization is what the business (or no business) entity is all about, while we tend to think of product as objects. We can see and touch the term product may be used in referring to intangible services and ideas as well. So, product is a market’s offering as perceived by the market.”²⁵

“Product mix includes decisions on product line and mix, product quality, variety, design features, branding, packaging, and labeling etc. it also includes important activities such as product planning and development.”²⁶

2.4.2 Place

A product is not much good to a customer if it is not available when and where he/she wants it. We must consider where, when and by whom the goods and services are to be offered for sale.

Goods and services do not flow producers to consumers automatically. They move through channels of distribution where a great deal of making work is done. Channel members may or may not handle the goods some may own them and transfer title, while others do neither. Some may provide return and repair services, while also storing and transporting them and others may primarily concerned with transmitting money and information. In other words, a number of things flow through a channel besides goods, in both ways.

²⁴ Kotler, Op. Cit. PP-430

²⁵ Buell, Op. Cit. PP-23

²⁶ Koirala, Op. Cit. PP-14

“Place or distribution mix includes design of the distribution channels, distribution networks, dealer, promotion and motivation systems and physical distribution of the products.”²⁷

Any sequence of marketing institutions from producer to final user or consumer, including any number of middlemen is called channels and so our study of place will be very important to marketing strategy planning.

Even though marketing intermediaries are primarily a non controllable environmental factor, a marketing executive has considerable latitude when working with them. Management responsibility is

1. To select and manage the trade channels through which the products will reach the right market at the right time
2. To develop a distribution system for physical handling products and then transporting them through the appropriate channels.²⁸

2.4.3 Promotion

Promotion, one of the four major variables with which the marketing manager works, is communicating information between seller and buyer with a view to changing attitudes and behaviour. The marketing manager’s job is to tell target customers that the right product is available at the right place at the right price.

“Promotion is the ingredient used to inform and persuade the market regarding a company’s product. Advertising personal selling and sales promotion are the major promotional activities.”²⁹

The major promotional methods include personal selling, mass selling and sales promotion, personal selling involves direct face to face relationships between sellers and potential customers. Mass selling is designed to communicate with numbers of customers at the same time. Advertising is the main form of mass selling but it also involves publicity. Sales promotion refers to specific activities that complement personal

²⁷ Ibid, PP-15

²⁸ “Technological Antecedents of the Modern Marketing Mix” – Journal of Macro marketing Spring PP-17

²⁹ W. J. Stanton & Futrell, Fundamentals of Marketing PP-56

and mass selling such as point of purchase displays booklets, leaflets and direct mailings.

“Companies face the task of distributing the total promotion budget over the five promotional tools advertising, sales promotion, public relations and publicity, sales force and direct marketing. Within the same industry, companies can differ considerably in how they allocate their promotional budget. It is possible to achieve a given sales level with varying promotional mixes.”³⁰

“It is the variable that communicates to the consumer about other variable of marketing mix for their need satisfaction. It consists of advertising, publicity, personal selling and sales promotion.”³¹

2.4.4 Price

Price is also one of the major parts of the marketing mix. While the marketing manager is developing the right product and promotion, he also must decide on the right price. In setting the price, he must consider the nature of competition in this target market as well as the existing practices on markups, discounts and terms of sales. He also must consider legal restriction affecting prices.

“Price mix includes such as analysis of companies’ prices, formulation of pricing objectives, setting the price, determining terms and conditions of sales, discounts and commission etc.”

“In pricing, management must determine the right base price for its products. It must then decide on strategies concerning discounts, freight payments and many other price-related variables.”³²

In economic theory, we learn that price, value and utility are related concepts. Utility is the attribute of an item that makes it capable of satisfying human wants. Value is the quantitative measure of the worth

³⁰ Kotler, Op Cit. PP-622

³¹ Agrawal, Op. Cit. PP-16

³² Stanton, Op. Cit. PP-56

of a product to attract other products in exchange. Prices is value expressed in terms if dollars and cents or and other monetary medium of exchange. In pricing, we must consider more that the physical product alone. A seller usually is pricing a combination of the physical product and several services and want-satisfying benefits. Price is the value placed on goods and services. Price is tile amount of money and/or product that is needed to acquire some combination of another product and its accompanying services.³³

“It is the variables that create sales revenue. Consumers pay prices to buy products for their need satisfaction. It may be fixed on the basis of cost, demand or competition. It may involve discounts, allowances, credit facilities etc. Price has become the second most important variables of marketing mix because of inflationary pressures in recent years.”³⁴

2.5. Marketing Strategy

The term strategy originally applied to the art of military generalship. In business, a strategy is a broad plan of action by which an organization intends to reach its objectives.

The marketing strategy is the game plan for achieving the broad corporate objectives and specific SBU goals. It is based on the marketing goals and is formulated by the marketing department. The strategy formulation involves designing strategies related to product – market scope, product positioning, and product or customer specific marketing mix. The marketing department must specify the financial, social and human resource costs and risk involved in the implementation of strategy.

According to Philip Kotler – “Strategy is a game plan for getting to the goals what a business unit wants to achieve.”³⁵ Every business must tailor a strategy for achieving its goals, consisting of a marketing strategy and a compatible technology.

³³ Ibid. PP-260

³⁴ Agrawal, Op. Cit. PP-16

³⁵ Kotler, P. (2000), Marketing Management (Millennium Edition), New Delhi: Prentice Hall–India, Page 80

There is the difference between objective and strategy. Two organizations might have the same objective but use different strategies to reach it. For example, two firms might aim to increase their market share by 20% over next 3 years. To do that, one firm might intensify its efforts in household market while other might concentrate on expanding into institutional markets.

There are three types of strategies are available

1. **Overall Cost Leadership:** Here the business works hard to achieve the lower production and distribution cost so that it can price lower than its competitors and win a large market share.
2. **Differentiation:** Here the business concentrates on achieving superior performance in an important customer benefit area valued by a large part of the market. It can strive to be the service leader, the quality leader, the style leader or the technology.
3. **Focus:** Here the business focus on one or more narrow market segments. The firm gets to know these segments intimately and purposively either cost leadership or differentiate within the target segment.

The firm pursuing the same strategy directed the same target market constitute a strategic group. The firm that carries off that strategy best will make the most profits.

Marketing strategy is both unique and commonplace. That might sound like a contradiction of terms but it is no. The term “Strategy” is widely used to describe a seemingly endless number of marketing activities. Today, everything in marketing seems to be “Strategic”. There is strategic pricing, strategic market entry, strategic advertising and may be even strategic strategy. The glut, of competition has focused more attention on performing traditional marketing actions strategically with an eye towards beating the completion. In that sense, marketing strategy is

commonplace. In recent years it seems to have been appended to nearly every marketing action.

Marketing strategy is also unique. There is not one unified definition upon which marketers agree. Marketing strategy is a commonly used term, but no one is really sure what it means. “A strategic sector is one in which you can obtain a competitive advantage and exploit strategic sectors are the key to strategy because each sector’s frame of reference is competition. The largest competitor in an industry can be unprofitable if the individual strategic sectors are dominated by smaller competitors.”³⁶ Boyd and Larreche (1978) had found in the history of marketing strategy that tremendous confusion over just what strategy is. The term “Strategy” as used in marketing, has been applied to at least three types of issues, each at a different level of aggregation.

There are product market entry strategies, which include strategies that look at specific marketing decisions. Strategies that call for a firm to built marker share, harvest profit (and share) of defend share from competitors. Another widely used definition of strategy in marketing emphasizes the broader perspective of strategy in management. That definition views strategic market planning as a four-step process

- i) Defining the business
- ii) Setting a mission
- iii) Selecting functional plans for marketing, production and other areas and
- iv) Budgeting for those plans (A bell and Hamond (1979). In that sense, marketing strategy is more akin to corporate strategy.³⁷

Strategic marketing is a major component of the strategic planning. Its main objective is to establish the product/market scope of a business. Strategic and marketing is the method that concentrates on the market to serve, the competition to be tackled and the timing of market entry/exit and related moves. Formally, strategic marketing deals with the following:

- Where to complete?

³⁶ Jain, Subhash, The Evolution of Strategic Marketing. Page 81

³⁷ Steven P. Seehmars, Marketing Strategy, Page 18

- How to complete?
- When to compete?

“Strategic marketing helps to define the market in entering and competing. That may be either an entire market or one or more segments of the entire market. Strategic marketing provides inputs or techniques for solving customer need. That technique may be either an introduction of a new product or existing product with improvements. Similarly, strategic marketing tries to identify an appropriate time for entering to the market defined. The appropriate time to enter the market may be the first in the market or wait until primary demand is established.”³⁸

2.5.1 Product Strategy

In a very narrow sense, a product is a set of tangible physical attributes assembled in an identifiable form. Each product carries a commonly understood descriptive name, such as apples, steel or baseball bat.

“A product is a set of tangible and intangible attributes, including packaging, color, price, manufacturer’s prestige, retailer’s prestige and manufacturer’s and retailer’s service.”³⁹

“Product is anything that can be offered to a market for attention acquisition, use or consumption and that might satisfy a want or need. Products include more than just tangible goods. Broadly defined, product includes physical objects, service, persons, place, organizations, ideas or mixes of these entities.”⁴⁰

A product is anything that is potentially valued by a target market for the benefits of satisfaction it provides (Craven, Hill and Woodruff). The general principle is that a firm must have a right product that can satisfy the need and wants of the consumers but a product cannot satisfy their needs and wants of the consumers but a product cannot satisfy their needs and wants over the time period, because of several reasons. First,

³⁸ Shrestha, Op Cit. Page 176

³⁹ Schnaars, Steven P. – Marketing Strategy, PP-18

⁴⁰ Kotler and Armstrong, Op. Cit. PP-238

like living creating a product also has a life during which a firm has to reformulate or differentiate or standardize it to maintain its position in the market. Second consumer demand goes on changing over the time period. As such, the same consumer may demand different products over the time period. Finally, the requirement of all consumers is not alike, different consumers may demand for different product attributes (such as quality, product, service, branding, good packing, attractive colour and design prestige, problem solution etc.) at the same time.

“It clearly indicates that the product decision is not only an important decision in the marketing but also a most challenging task for the marketers. To succeed in the competitive markets the marketer must be able to study each and every aspects of the product including product life cycle, new product development, product mix and product line, product positioning, branding and packaging.” “Product is what marketers offer to consumers. They include goods, services ideas and any other things that can be exchanged by a supplier and a buyer or consumer. The term product concept refers to the marketing strategist’s selection and blending of a product’s primary characteristics and auxiliary dimensions into a basic idea or concept emphasizing a particular set of consumer benefits.”⁴¹

Product strategy is the core of strategic planning for the enterprise and it plays a pivotal role in shaping marketing strategy. Management’s strategic decisions about the product to be offered are among the most important of those affecting the future of a company. No other strategic decision has such widespread impact, cutting across every functional area and affecting all level of an organization. This key strategic role should not come as a surprise since meeting people’s needs and wants with goods and services is what business is all about. A product strategy consists of:

- Decision how to position a business unit’s product offering (specific product line or mix) to serve its target market.
- Setting strategic objectives of the product offering.

⁴¹ Zikmand and D’Amico – Marketing, PP-213

- Selecting a branding strategy.
- Developing and implementing a management strategy for new and existing products.⁴²

2.5.2 Pricing Strategy

Price is one of the four major elements that the marketing manager must consider while preparing the marketing program. Price is regarded as backbone on which the success of the marketing program largely depends. No rational product policy, no product design, and no marketing strategy can not be formulated without consideration of price nor is price set in isolation of the total strategy. Since price decisions affect not only the firm's sales and profit but also determines its future prospects, they must be taken into account seriously.

In general, price is value or amount of money sacrificed to obtain a particular product or service. Price may also be defined as the exchange of something of value between parties involved in a transaction. In economic sense, price is value expressed in terms of rupees or dollars, or any other monetary medium of exchange.

Pricing on the other means the determination of proper value to a particular product or service. In broader sense, price settings involve of the exchange to all parties involved in the transaction. Determining the values to base price is a strategic decision. Pricing is a strategic variable in marketing. It should be based on systematic decisions to assign a value to communication the seller's estimated worth of the offering.

Price strategy has many characteristics in common with a bomb! The consequences of pricing decision can be explosive and far-reaching and it may be difficult to alter a strategy once it has been implemented, particularly if the change calls for significant price increases. Price has many possible uses as a strategic instrument in corporate and marketing strategy.

⁴² David W. Cravens – Strategic Management, PP-237

We define a price strategy as “deciding how to position price within the range of feasible prices, establishing whether price shall be used as an active or passive element in the marketing program setting the specific objectives to be accomplished by price and establishing policies and structure for guiding pricing decisions.”⁴³

2.5.3 Distribution Strategy

Distribution is one of the major marketing functions without its effective and efficient management the whole marketing system may be failed. So that, clever marketing manager should have given due attention towards its better functioning. Simply speaking, distribution is the delivery of the products to the right time, place and consumer. It is not a single element, but it is a mixed of various to consolidate functions. Such as channel of distribution, transportation, warehousing and inventory controls etc.

Most producer work with marketing intermediaries to bring their product to market, they try to forget a distribution channel. A producer should decide how many middlemen he should seek at each level of distribution. He will determine the numbers of retailers, wholesalers, agents and so on.

“Distribution may be defined as an operation or a series of operation which physically bring the goods manufactured or produced by any particular manufactures in to the hands of final consumers or users.”⁴⁴

“Distribution channels are major factors in the effective development of the market share, internationally to maintain quality and ensure services; direct distribution is also undertaken by many manufacturers. Also the use of multiple channels will expand and include telemarketing; direct response marketing, mail order and computer assisted buying.”⁴⁵

⁴³ David W. Cravens, Op. Cit. PP-294

⁴⁴ Rustam, S. Daver, Modern Marketing Management, Bombay, Progressive Corporation (P) Ltd. PP-40

⁴⁵ William Lazer, et. al., Marketing 2000 and Beyond, Chicago. American Marketing Association. 1990, PP-164

Distribution is concerned with the activities involved in transferring goods from producers to final buyers and users. It includes not only physical activities, such as transporting and storing goods but also the legal promotional and financial activities performed in the course of transferring ownership. Since a succession of enterprises is generally involved in the distribution process leading to the final sale to the consumer or user to understand distribution one must analyze both the different kind of marketing institutions and the marketing channels in which they operate.

The means of distribution have a very significant effect upon the prices of goods and a single means is not enough due to the geographical diversity where there is single system this has led to the rise in the price of commodities on the one hand and the non-availability of them in time, on the other hand. The problems have pointed to the necessity of a new management in the means of distribution which specially considers the factors like the nature of the commodity, the behavior of the consumers, effectiveness of time, education and social values.

The distribution channel moves goods from producers to consumers. It overcomes time, place and possession gaps that separate goods and services from those who would use them. The different distribution channels are useful for receiving information, finding and communicating with perspective buyers, attempting can happen.

In today's mass production economy, most producers do not sell their goods directly to the final users. Distribution channels are among the most complete and challenging function of decision making facing a firm in modern business organization.

“The channel and physical distribution programmer are developed to deliver right product at the right place at the right time at lower cost”⁴⁶

“Effective control of distribution costs can give an organization a advantage, if the organization can not control distribution costs profit

⁴⁶ Burr W. Hupp, “Inventory Policy is a Top Mgm Responsibility” in Donald L. Buwerson(ed) Reading in Physical Distribution Management, New York Mac Millan Company, 1969 PP-179

will be impaired in the short run and survival may be threatened in the long run.”⁴⁷

Most producers do not sell their product directly to the final consumers. That is why; they use a variety of intermediaries. Channels are the medium for taking the goods and services to ultimate buyers. These organization and agencies are grouped in together in various combinations linking particular producing units through the channels distribution.

“In today’s economy most of the producers of goods and services do not sell their goods directly to the final users between them and the final users stands a host of marketing intermediaries performing in a variety of functions and bearing a variety of names. Some middlemen such as wholesalers and retailers buy, take title to, and re-sell the merchandise. They are called merchant middlemen other such as brokers, manufactures and may negotiate on behalf of the producer but do not take title to the goods. They are agent middlemen.”⁴⁸

After the product has been produced, producers must distribute or supply these products to the target markets. In the most of cases, producers use several middlemen or channels of distribution to supply goods and services to the consumption point.

A channel of distribution shall be considered to comprise a set of institutions, which perform all of the activities utilized to move a product and its title from production to consumption (Bucklin). Channels of distribution is an organized network of agencies and institutions which in combination, perform all the activities required to link producers with users and user with producers to accomplish the marketing task (Craven, Hills & Woodroff).

These intermediaries or channels of distribution tend to be used for several reasons:

⁴⁷ Ronald J., Lewis, “Strengthening Control of Physical Distribution Cost” Ibid PP-316

⁴⁸ Kotler; Op. Cit. PP-175

1. The number of sellers, buyers and the distance of product movement are relatively large.
2. The frequency of purchase is high.
3. The lot sizes needed by end users are small.
4. Markets are decentralized.

Channel Structure

There are three levels of marketing channels:

- i. Direct Channels
- ii. Indirect Channels
- iii. Mixed Channels

Under direct channel, producer himself distributes goods and services to the end users. No intermediaries are used in this case. Under indirect channel, several intermediaries such as wholesalers, retailers, dealers, agents etc are used to supply goods and services from production point to the consumption point. Under mixed channel, producers use both direct as well as indirect channels at the same time for the purpose.

Here, intermediaries or middlemen can be divided into two categories:

- a. Merchant Middlemen
- b. Agents

Merchant middlemen purchase outright and actually take title to the goods. Merchant middlemen include wholesalers, retailers etc. Agent acts in an agency capacity on clients and does not take title to the goods which they deal. They usually charge certain commission in terms of percentage or lump sum.

Physical Distribution

Physical distribution is concerned to the management of physical flow of goods from the points of suppliers to the points of purchases.

“Physical distribution management as the process of strategically managing the movement and storage of materials, parts and finished inventory from suppliers between enterprise facilities and to customers.”⁴⁹

“Physical distribution as the activities concerned with the movement of the right amount of the right products to the right place of the right time.”⁵⁰

The main objective of physical distribution is getting the right product safely to the right places at the right time at the least possible cost. More specifically, the objectives of physical distribution are:

- a. To provide customer service
- b. to distribute goods more safely
- c. To minimize the total cost
- d. To supply goods to the right target market function of physical distribution

A physical distribution system consists of a sell interrelated function with specific boundaries. The interrelated functions include the following element:

- a. Transportation
- b. Warehousing
- c. Inventory Management and Control
- d. Order Processing
- e. Material Handling

Transportation is the element of the physical distribution system that links geographically separated markets and facilities. There are five models of transportation:

- a. Rail Transport
- b. Highway Transport
- c. Water Transport
- d. Pipe-line Transport
- e. Air Transport

⁴⁹ Kotler; Op. Cit. PP-433

⁵⁰ Stanton, Op. Cit. PP-379

Warehousing decision determines the number, size and location of storage facilities needed to services customers demand. Developing effective warehousing strategies includes the decisions regarding the following elements:

- a. Location of Warehouse
- b. Determine the type of warehousing i.e. private or public warehousing
- c. Evaluate developments in warehousing.

Inventory decisions are concerned with balancing the costs of carrying inventory, ordering products form suppliers and controlling other inventory costs to achieve a desired level of consumer satisfaction, inventory accumulation is expensive, yet availability is essential to having satisfied customers.

Order processing constitutes the communication linkage that stimulates a physical distribution system into action. In other words, order processing regards to all those activities involved in collection, checking and transmitting sales-order information. It is the handling of all paper work associated with the sale of goods and services offered by an organization.

Material handling, also called the physical handling of goods, is an activity that is important in inventory, warehousing and transportation. The characteristics of a product to a large extent how it will be handled.

2.5.4 Promotional Strategy

Promotional strategy is also one of the most important marketing strategies. There is various type of promotion. These includes advertising, personal selling, sales promotion and various miscellaneous efforts. When management has a message to pass to target consumer's promotion is the proper vehicle.

“Like other marketing tools, both business and non business organizations use promotion. The state of Louisiana has been promotion family planning since 1965.”⁵¹

“Promotion can be used to improve the image of police work as a career.”⁵²

A company needs to make marketing decisions only in the areas of segmentation, product offering, pricing and distribution but also in the area of promotion.

“Promotion is any marketing effort whose function is to inform or persuade actual or potential consumers about the merits of a (given) product or service for the purpose of including a consumer either to continue or to start purchasing the firm’s product or service at some (given) price.”⁵³

Promotion is persuasive communication. It is a highly visible element in the marketing mix. It sells the target customers about product, price and place. It is also known as marketing communication. “Promotion is applied communication used by marketers to exchange persuasive messages and information between buyers and sellers.”⁵⁴

“Promotion represents the various communications to inform and persuade people that a firm directs towards its market targets, channel organizations and the public at large. These communications consists of advertising, personal selling and sales promotion activities. Increasingly marketing management is finding it profitable to combine advertising, personal selling, packaging, point of purchase, direct mail, product sampling, publicity, and public relations decisions into an integrated

⁵¹ Adel L. El – Ansary and Oscar E. Kramer, Jr., “Social Marketing: The Family Planning Experience”, *Journal of Marketing* PP-37 (July 1973)

⁵² Richard W. Hansen et, al. “An Application of Marketing Concepts in the Public Sector; A case Study”, 1974 Combined Proceeding American Marketing Association (Chicago: American Marketing Association) PP-252

⁵³ Wroe Alderson and Paul E. Green, *Planning and Problem Solving in Marketing*, Home Wood II, Richard D. Irwin, Inc., 1964 PP-270

⁵⁴ Zikmund & d’Amico, *Op. Cit.* PP-473

promotion strategy for communicating with buyers and other involved in marketing purchasing decision.

Since each type of promotion has certain strengths and sort comings, the strategy adopted should capitalize upon the advantages of every component in shaping a cost effective communications mix.”⁵⁵

There are various promotion methods:

Advertising:

“Unlike personal selling and some sales promotion and public relation techniques, advertising is an impersonal means of communication. Advertising is an impersonal promotion to groups that is paid for by an identified sponsor. It focuses upon group of persons, rather than upon individuals.”⁵⁶

“Advertising can be described as any paid from of non-personal communication by a sponsor.”⁵⁷

“Advertising includes any persuasive message carried by a medium and paid for by a sponsor who sings the message.”⁵⁸

Personal Selling:

“Personal selling can be a very intense means of promotion. Personal selling consists of person-to-person communication between sales persons and their prospects. Unlike advertising, it involves personal interaction between the source and the destination.”⁵⁹

“Personal selling refers to oral presentation to one or more customers in a face-to-face situation for stimulating demand for products and services or enhancing company image.”⁶⁰

⁵⁵ David W. Cravens, Op. Cit. PP-319

⁵⁶ Robin Peterson, Marketing A Contemporary Introduction, PP-439

⁵⁷ Dholakia, Khurana, Bhandari & Jain, Marketing Management: Cases and Concepts. PP-353

⁵⁸ Douglass Johnson, Advertising Today, Chicago III. Science Research Associates, 1978 PP-1

⁵⁹ Ibid PP-353

⁶⁰ Ibid PP-353

“Personal selling is a person-to-person dialogue between buyer and seller where the purpose of the interaction, whether face-to-face or over the phone, is to persuade to buyer to accept a point of view or to convince the buyer to take a specific course of action.”⁶¹

Sales Promotion:

According to the American Marketing Association, sales promotion is “those marketing activities, other than personal selling, advertising publicity that stimulate consumer purchasing and dealer effectiveness , such as displays, shows and expositions, demonstration, and various no recurrent selling efforts not in the ordinary routine.”⁶²

Sales promotion activities are impersonal and usually nonrecurring, and are directed to ultimate consumers, industrial consumers and middlemen. These activities tend to supplement the advertising and personal selling efforts. Examples of sale promotion are free product samples, trading stamps, store displays, premiums, coupons and trade shows. “Sales promotion can be defined as those promotional activities other than personal selling, advertising and publicity that are intended to stimulate buyer purchases or leader effectiveness in a specific time period.”⁶³

Publicity:

“Publicity is a means of promoting to the mass market. Publicity is similar to advertising, except that it is free, is found in the editorial portion of new media and pertains to newsworthy events. The most common types of publicity are new release (also called press releases), photographs and feature stories.”⁶⁴

“Publicities are similar to advertising except that it involves an unpaid and unsigned message, even though it may use the same mass media as advertising does.”⁶⁵

⁶¹ Zikmund & d’Amico, Op. Cit. PP-475

⁶² Committee on Definition, American Marketing Association, Marketing Definition: A Glossary of Marketing, 1960 PP-20

⁶³ Zikmund & d’Amico, Op. Cit. PP-477

⁶⁴ Rollie Eiliman and C.A. Kirkpatrick, Promotion: Persuasive Communication in Marketing. Homewood, III: Richard D. Irwin Inc. 1968. PP-365

⁶⁵ Zikmund & d’Amico, Op. Cit. PP-476

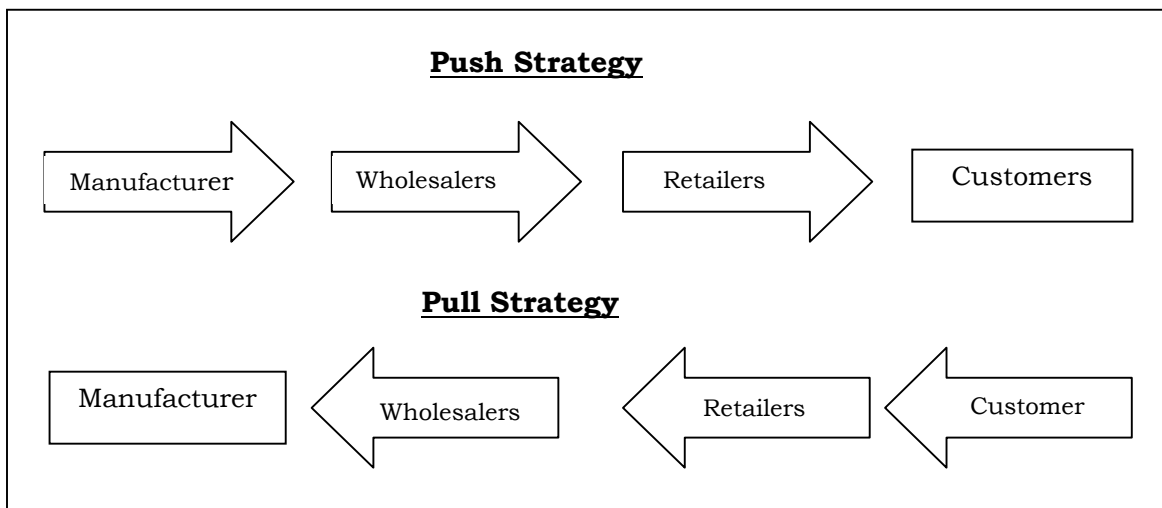
Public Relations:

“Marketing engages in public relations in order to develop a favourable image of their organizations and products in the eyes of the public, they direct this activity to parties other than target consumers. These ‘others’ include the public at large union, the press, and environmentalist groups. Public relations activities include sponsoring floats in parade, lobbying and using promotion messages to persuade members of the public to take a desired position.”⁶⁶

Promotion Strategies:

Push and Pull Strategies:

In push strategies, the promotion program is directed at middlemen. The product is “pushed” through the channel. The channel members are persuaded to order, carry and promote product to customers. The manufacturer promotes to wholesale, the wholesale promotes to retailer, the emphasized in push strategy. This strategy is useful where brand loyalty is low and market share is to be protected. In pull strategy, the promotion program is directed at customers. The customers are persuaded to ask to the product from the retailer, the retailers ask the product from the wholesalers and the wholesalers order the product from the manufactures. The product is “pulled” through the channel to increase sales. Aggressive advertising and consumer promotion is emphasized in pull strategy is useful where brand loyalty is high.



⁶⁶ Robin Peterson, Marketing a Contemporary Introduction, PP-443

Interpersonal or Mass Communication Strategies:

The interpersonal communication strategy emphasizes personal selling as a tool for face-to-face promotion. The mass communication strategy emphasizes advertising, publicity and sales promotion.

2.6 Marketing Policy Vs Marketing Strategy

Marketing policies are broad guidelines, which guide the marketing personnel in decision-making. Policies are general statement or understanding, which guide or direct the thinking in decision making of subordinates. A policy maps out a field of action it limits the area of action. The purpose of a policy is to guide thinking in decision making by making off area of discretion. One might say policies are management's mortality and wisdom contrasted with the craft and shrewdness they should manifest in their strategies.⁶⁷

Strategy is often confused with policy. "Strategy is interpretative planning made in the context of plans of competitors."⁶⁸ Marketing strategy refers the conceptual planning that directs the selection of opportunities for subordinates goals. It is addressed to managers placed at higher echelons and involves planning actions aimed at market and competitors. A strategy broadly outlines the marketing responses to competitors' actions and market situations. It lays down the broad marketing principles by which the company may secure an edge and advantage over competitors, be attractive to target consumer, and ensure a full exploitation of the company resources. For example to expand market share, the strategy may be diversify the product line and launch saturation advertising. However, the strategy option have to chosen within the framework of marketing policies.⁶⁹

⁶⁷ Brion, J. M. (1967), Corporate Marketing Planning, New York: John Weldy & Sons, Page 94

⁶⁸ Gandhi, J. C. (1985), Marketing – A Managerial Introduction, New Delhi. Tata McGraw Hill, Page 463

⁶⁹ Gandhi, J. C. (1985), Marketing – A Managerial Introduction, New Delhi. Tata McGraw Hill, Page 459

2.7 Review of Nabil Bank Limited:

2.7.1 Introduction to Nabil Bank Limited

Introduction

Nabil Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil provides a full range of commercial banking services through its 47 points of representation across the kingdom and over 170 reputed correspondent banks across the globe.

Nabil, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business.

Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes ATMs, credit cards, state-of-art, world-renowned software from Infosys Technologies System, Bangalore, India, Internet banking system and Telebanking system.

The bank has large network an authorized capital of NPR 2,100,000,000.00 with an issued and paid up capital of NPR 2,029,769,400.00. The bank has its head office & corporate office is situated at Teen Dhara, Kathmandu. Nabil Bank Ltd. has a unitary board structure. The board is headed by the chairman with eight member directors including chairman. Mr. Satyendra Pyara Shrestha - Board Chairman, Mr. Shambhu Prashad Poudyal – Board Member, Mr. Dayaram Gopal Agrawal- Board Member, Mr. Shyamalendu Chatterjee- Board Member, Mr. Krishna Prashad Acharya- Board Member, Mr. Nirvana Chaudhary- Board

Member, Mr. Krishna Bahadur Manandhar- Board Member and Mr. Binaya Regmi- Company Secretary.

2.7.2 Vision and Mission

Vision:

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

Mission Statement:

Nabil work together up to its vision and to bring it into reality. The mission is therefore to prove that Nabil is driven by the spirit for realizing those visionary aspirations. With that end in view, we work in partnership with our stakeholders and the community at large. The roadmap to reaching where we have set our mind on is by manoeuvring strategic action plans through a well teamed and synergistic workforce into industrial end products – customized services.

Approaches are to differentiate the products by reengineering them with the best technologies and management philosophy keeping in focus customers' satisfaction over and above everything else at all times. Banks has set their goals & objectives to hone the skills of inspired HR force and tailor our products and services to that end. With an all inclusive approach Nabil engages in customizing ranges of products catering to the entire gamut of society from financing mega projects to under privileged individuals & promoting enterprises across all segments of society by adding values to nation building endeavors. Banks board global network as a **1st Choice Provider of Complete Financial Solutions.**

2.7.3 Capital Structure

Nabil has an authorized capital of two billion rupees out of which One billion Thirty one Million rupees have been paid-up. This capital base is sufficient for conducting commercial banking activities in Nepal under the policy of Nepal Rastra Bank (Central Bank of Nepal).

The Bank has been promoted by individuals and companies with local roots but from different walks of life with a vision and dedication to provide the best financial product and services in the most efficient and professional manner. In view of maximizing the shareholders' participation, the share structure is divided as follows:

Particulars	Percentage %
Promoters' Shares (foreign Ownership)	50%
Local Ownership	
Other Licensed Institutions	6.15%
Other Entities	10.00%
General Public	30.00%
Others	3.85%
	50.00%
Total	100%

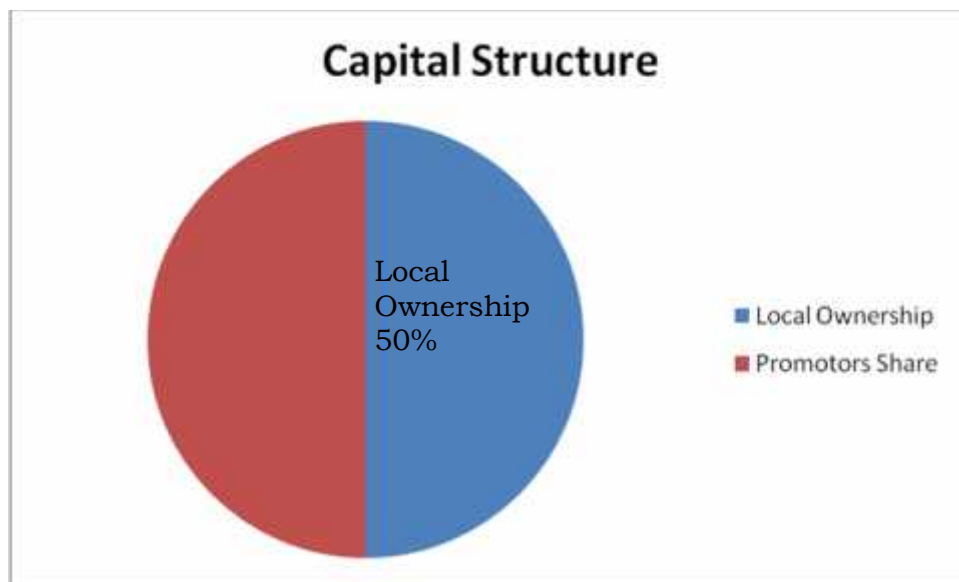


Diagram 1.1 Capital Structure

2.7.4 Technology

Nabil has put emphasis on technology development to provide excellent services to its customers. Ever since its inception, the bank has been providing Anywhere Banking Services by the most sophisticated, FINACLE; banking software. It enables us to provide modern Banking facilities like online banking, Tele Banking, SMS/ Mobile Banking, Internet Banking, Locker facilities, Point of sale services, Online Mobile Bill Payment, ATM/Debit card facilities, SWIFT facility and many more. Moreover, it is providing its customers extended banking facilities with evening counter.

The sophisticated communication technology has interlinked all its branches to the centralized database system and has enabled the bank to provide Anywhere Banking facilities to all its valued customers with ease.

For the convenience of customers, the bank has installed number of ATMs in the various parts of the countries including 3 of them in Birgunj city.

The Bank has also believed in innovation and has always focused in its technology advantage for the customers' benefits. To provide reliable and quality services to its valued customers, NABIL efforts to devise their working procedures, structure and strategies in necessitate with the need of their customer and the market.

2.8 Review of Related Studies

2.8.1 Pathak, Krishna Prasad, in 1998 conducted the study on “Coffee Marketing System in Nepal” with following objectives.⁷⁰

- a. To analyze the present phenomena, problems for the farmers engaged in coffee farming.
- b. To assess the existing coffee marketing system
- c. To analyze the challenges problems and profitability of farming, processing and marketing of coffee and professional standards.
- d. To recommend measures for improvement.

From this study, the following conclusions have been deducted. Nepalese farmers are motivated to plant coffee for better yields and they technical support and training for professional farming skills. There is no support to farmers input, supply and sales security were varying weak. Recently emerging community activities show better symptoms in this respect. Pricing to support farmers was effective due to increased competition. Market promotion is weak and packing is the first place to start promotional campaign. Now, push sales is the only measure and no promotions are done. Distribution system components are assembly transportation, processing and other processing. Through Nepalese domestic production covers only 22.9% of domestic market. Nepalese coffee is worth exporting and Nepalese consumers prefer instant coffee mainly imported from India. It shows that Nepal can develop coffee, as an important cash crop to generate exports which should help in economic growth, employment generation and mitigating the ever-increasing unfavorable balance of trade, for this professional and institutional approach, is warranted for.

The study has recommended that select better seeds appropriate for Nepalese landscape and climate should be conducted. Interest Rate 17% is not appropriate for farming and is very high. Enterprising farmers should be trained so as to make them the bridge between the ordinary farmers and technical exports. Wet pulping should be introduced and farmers should be facilitated to pulp, hull and grade the beans and green

⁷⁰ Krishna Prasad Pathak, Coffee Marketing in Nepal (1998), unpublished dissertation submitted to Central Department of Management, Tribhuvan University.

beans should be introduced in trade. There should be improved in packing of roasted coffee. Demonstration farms should be developed as the catalysts to incorporate rural people in modern business ethics. Professionalism should be encouraged in coffee marketing.

2.8.2 Bhatta, Shree Chandra, in 1998 conducted a study on “Sales Promotion and its Effect on Sales: A Case Study of Beer Market of Nepal”⁷¹

A case study of Beer market of Nepal with the objectives of analyzing the sales promotion and its effect on sales is the main focus of the study. Though the concept of sales promotion is relatively new in Nepal, there are lots of things to be researched and find out in the practice of sales promotion. The study had the following specific objectives:

- a. To find out whether the sales promotion dues impact on sales of beer
- b. To find out what made sales promotion is more acceptable by the Nepalese consumers
- c. To find out what made is more wisely use by the manufacturers as a sales promotions tools.
- d. To evaluate effectiveness of sales promotion activities in the sales of beer in Nepal.
- e. To find out which media is suitable to advertise about the sales promotion.
- f. To predict the sales of coming year if every factors would be the same.

On the basis of analysis of the consumers view point and sales data separately. The following findings are drawn. The people with high income groups highly educated and from business people tend to drink beers more. The people drink beer at restaurants for relaxation rather than other cause. The people prefer San Miguel brand than other beers. In the case of sales promotion the cash prizes out of all the tools insist people. If the expenses on sales promotion increase, the sales increase in

⁷¹ Shree Chandra Bhatta, Sales Promotion and its Effects on Sales: A Case Study of Beer Market of Nepal, (1998), Unpublished dissertation submitted to Central Department of Management, Tribhuvan University.

a high speed. From the regression it is clearly seen that if the expenses on the sales promotion increases the sales of the product will be increased. It is concluded that sales promotion increases the sales of the product will be increased. It is concluded that sales promotion works as a starter to the beer drinkers. Most people, who are not so educated, are not loyal towards any particular brand. Due to this, the sales promotions easily quench the attention of those beer drinkers and as a result the sales of the beer will increase.

The people who drink beers accept electronic media most. So far sales promotions purpose, the electronic media is very suitable. The sales promotion is very powerful tools which can easily boost the sales. The study has recommended that low-income group as well as low education group should be launched the beer. In advertising, the electronic media is very popular. So the heavy media coverage should be acquired. People like cash prizes so company should cut down the prize like Motorcycles, Fridge, TV etc. findings proved that the sales promotion have positive impacts on the sales of the beers. But the companies launched the sales promotion programmes for only three months. It is strongly advised that sales promotion programmes should be launched at least for six month. At least, sales promotion is very important if the use would be in a proper way.

2.8.3 Adhikari, Krishna Prasad in 2002 conducted a study on “Impact of Sales Promotion Tools on Sales of Cold Drinks: A Case Study of Cold Drinks Market in Chitwan”⁷²

Sales promotion concept is relatively new in Nepal. There is lot of things to be researched and find out on the practice of sales promotion. The following are the main objective of present study:

- a. To find out which promotion tools and media is more acceptable by Nepalese consumer.

⁷² Krishn Prasad Adhikari, “Impact of Sales Promotion Tools on Sales of Cold Drinks: A Case Study of Cold Drinks Market in Chitwan (2002), Unpublished dissertation submitted to Central Department of Management, Tribhuvan University.

- b. To evaluate effectiveness of sales promotional activities in the sales of Cold Drinks in Nepal
- c. To evaluate the relationship between sales promotion package and consumer behavior.

The major objective of the present study is to see sales promotional tools are effective or not on the sales of the cold drinks. The whole research is subdivided on the basis of interpretation and analysis into two parts i.e. first effect of sales promotion from the consumer and shopkeepers' view point and second effects on sales promotion from the calculation of sales data.

On the basis of analysis of the consumers' view point and sales data separately, the major findings are:

- a. The person drinks cold drinks occasionally and prefers Coca-Cola brand more than others.
- b. People are aware about sales promotion activities out of them most people know about item price than coupon than cash prizes. But cash prizes are effective than other tools.
- c. The sales of cold drinks are increasing month by month but the ratio of sale is higher in the months when the companies launched sales promotion program. This indicates that there is a positive relationship between sales promotions. If the expenses on sales promotion increase, the sales increase at a high speed.
- d. The sales of one brand do not affect negatively the sales of other brands. As the observation shows that the trend of all two brands is increasing.
- e. Cold drinks drinkers do not have a particular choice of brands. So the concept of brand loyalty is not found in the Nepalese cold drinks market. So they can easily be directed towards one particular brand through proper marketing.
- f. All media is not popular among the people. Only electronic media (especially TV) is very popular among the people and the people who watch and listen to media notice the advertising. The percentage of the people who notice advertising for entertainment is higher than for information.

- g. It is found that cold drink distributor generally conduct 3 months special promotion package one time in a year. In this time they achieve 50 percent sales target of year.
- h. From the regression it is clearly seen that if the expenses o the sales promotion increases the sales of the product will be increases.
- i. Large numbers of people are interested on promotional contents that the manufacturer launches various occasions.
- j. Retailers are interested on promotional program. They are aware of cash prizes than other promotional work.
- k. Sales promotion programmed has positive impact on retailers and must of them taken part on contents and win prizes.

The study has recommended that an improvement in the test and quality and fixing reasonable. Price can be helpful measure to increase the volume of sales in the market. The company should increase the incentive to the wholesalers/distributors so as to motivate and encourage them to focus their transactions cold drinks. The company should diversify its market by penetrating into potential rural areas. It should establish efficient distribution networks and provide reasonable amount of commission at each level.

Although Mr. Hari Lamichhane had conducted a similar study in the same study area, this study has been more focused on studying the consumers' perspective in their consumption behavior of cold drinks. This study has also integrated the retailer level survey in order to examine the distribution system of cold drinks in the study area and find out what the channel members; particularly the retailers give priority in selling cold drinks.

Chapter III

RESEARCH

METHODOLOGY

3.1 Meaning of Research

Simply research means to search again. We study the social problems again and again to find out something more about the phenomena. The first look may not always be adequate. It may be prone to error. Therefore we look into the phenomenon again and again and study the problem differently and thoroughly each time. This process of searching again and again is known as research as the word 'research' itself means 're-search'.

Research is a systematic and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well thought out activities of gathering, recording, analyzing and interpreting the data with the purpose of finding answers to the problem. Thus, the entire process by which we attempt to solve problems or search the answer to questions is called research.

The above explanation of research has two important aspects. First, it is sufficiently broad to include all types of investigations requiring solutions to a problem. Second, it explicitly recognizes the systematic nature of the research process in which data are gathered, recorded, analyzed, and interpreted in an orderly manner. We can thus define research as an organized, systematic, data-based, critical, scientific inquiry or investigation into a specific problem, undertaken with the objective of finding answers or solutions to it (Sekaran, 1992).

Let us take a true-to-life situation to explain the meaning of research. When the disease AIDS broke out in the United States, doctors had no clue at all what disease it was, what caused it or how to cure it. They were certain of only one thing: it seemed to attack the immune system of the victim. Given that situation, medical researchers set out to investigate the causes of the disease and to seek a cure. To date, a lot is known about this disease because researchers have spent considerable resources in gathering information through observing patients and conducting experiments. Using this example, we can then take the word research to mean to investigate, repeatedly search or quest in an

endeavour to discover answers to problems through reliance on empirical evidence.

Research is undertaken not only to solve a problem existing in the work setting, but also to add or contribute to the general body of knowledge in a particular area of interest to the researcher. Research is thus a knowledge building process. It generates new knowledge, which can be used for different purposes. It is used to build a theory, develop policies, support decision-making and solve problems. With the opening of new frontiers of knowledge through research, new concepts and theories are developed to explain, verify and analyze the social phenomena.

Human knowledge thus works at two levels. At the primary level, the existing knowledge is applied to solve the social problem. The doctors use their knowledge of medicine to treat the patients. Similarly, business executives apply their knowledge to manage their organizations. Thus, at the primary level, the existing human knowledge is transmitted, disseminated and applied to diagnose and solve the recurring social problems. But what happens when a new social situation emerges which is beyond the preview of the existing knowledge. It is quite natural for the social problems to multiply. Their solution demands proper understanding of their nature and complexities. This requires further knowledge. Hence, knowledge at the incremental level is required to keep pace with the ever-increasing social scientific research. Research, therefore, is the search for knowledge. Research activities are designed to discover knowledge to aid in answering specific questions or issues.

Generally, the following activities are involved in the research process:

-) Define the problem and identify the variables causing it or relate with it.
-) Get insight into the existing stock of knowledge on the issue or the problem under reference and contribute to the furtherance of knowledge.
-) Construct models or formulate research questions, educated conjectures or hypotheses for testing.

-) Objectively collect and analyze the facts, evidence or information to identify the interrelationship between or among variables or the multiple effects of factors impinging on situation.
-) Build theories to understand and generalize the phenomena or to throw insight into the problem under investigation to analyze, predict and control the situation.

3.1.1 Types of Research

As indicated above, research can be undertaken for two different purposes. The first purpose is to solve a currently existing problem in the work setting. The other purpose is to generate new knowledge in a particular area or to develop a base of knowledge upon which theory can be built. Thus, social science research can be divided into two types relative to its purposes: applied or fundamental.

3.1.1.1 Applied Research

Applied research is conducted in response to specific problem, which requires a solution. The major purpose of applied research is to answer practical and useful questions about policies, programmes, projects, procedures, or organizations. Business executives, therefore, take interest in applied research. They often hire outside researchers and consultants to study a problem of concern to them in order to find solutions that can be implemented to rectify the problem situation. As applied research is concerned with knowledge that has immediate applications, it is also called decisional research. The attempt to get a cure for AIDS is a case point.

Example

The Janakpur Cigarette Factory has to improve its productivity in order to remain competitive in the market. There are two alternative strategies to improve its productivity. One is to pay attention to all of its existing brands and make continuous improvement; the other is to focus on new brand development. Each of these alternatives has some advantages and

disadvantages. The Factory will now have to research into each of these strategies and see which one would best suit the Factory, taking into account its capabilities, know-how, resources and so on.

The above example indicates the need for an applied research to work out the strategy in view of the Factory's strengths and weaknesses. Applied research is thus more concerned with knowledge that has immediate application and would be useful in making decisions and formulating policies.

3.1.1.2 Fundamental Research

Fundamental research is undertaken to improve our understandings of certain problems that commonly occur in organizational setting, and how to solve them. It is undertaken for the sole purpose of adding to our knowledge that is fundamental and generalizable. It is also known as pure or basic research. The research works of professors, scholars, and other researchers devoted to generate new knowledge in particular areas of their interest can be called fundamental research. The purpose of fundamental research is not to apply the findings to solve an immediate problem at hand, but rather to understand more about certain phenomena and problems that occur in several organizations and how they can be solved (Sekaran, 1992). It is typically the kind of research that can contribute to theory formation.

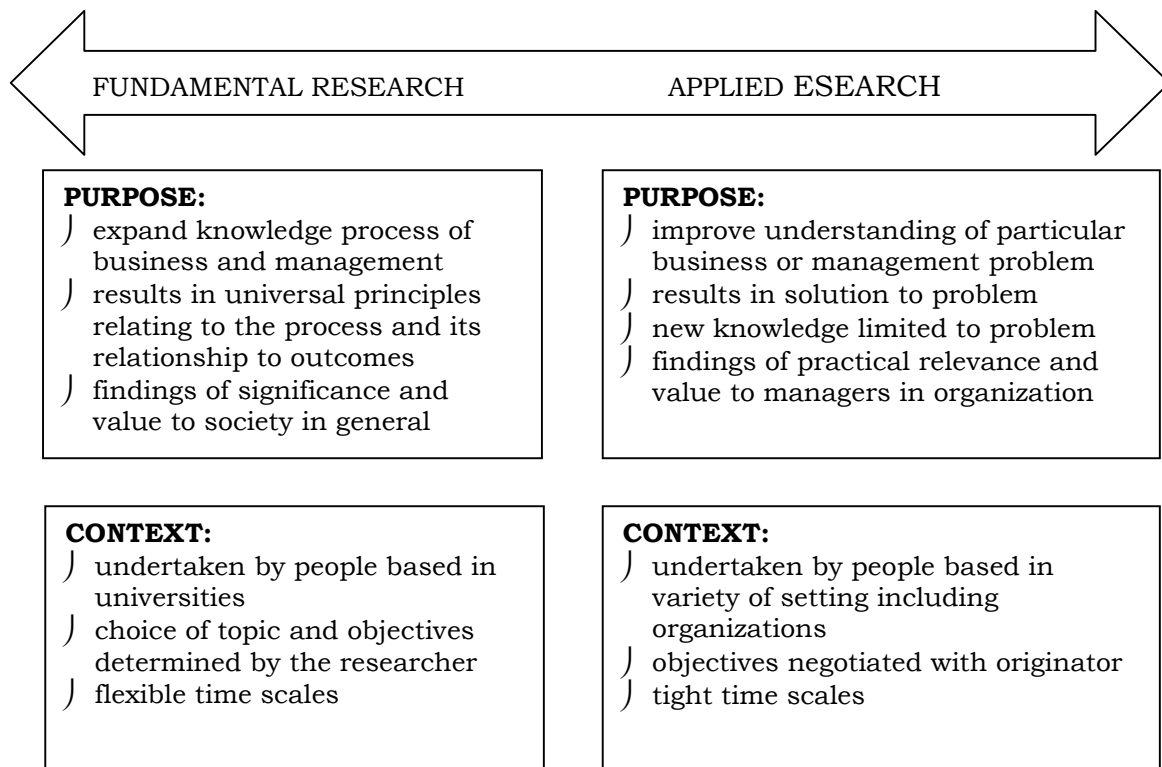
Example

The HRD managers commonly believe that on-the-job training has a great impact on the productivity of the workers. However, they have observed that the productivity of workers over forty years of age does not improve from such training. Why is this so? What factors might be responsible for this phenomenon? What type of training should be given to improve the productivity of such workers?

To answer the questions raised in the example just presented, one has to undertake a basic research. Our existing knowledge is not enough to answer these questions. The researcher, therefore, has to design an

investigation and conduct a study observing on-the-job training programmes in different work settings and recording the effects of such training on the productivity of younger and older workers. Several of such experiments conducted in different work situations would give the researcher some idea about the relationship between on-the-job training and productivity of workers belonging to different age groups. The main purpose of conducting basic research is thus to advance the level of scientific knowledge.

Fundamental and applied researches are, however, by no means mutually exclusive. In fact, these two types of research can be placed in a continuum. At one extreme of the continuum is applied research that is undertaken for practical problem-solving purposes. At the other extreme of the continuum is basic or fundamental research that is undertaken purely to understand and explain the basic social issues and phenomena. Thus, the purposes and contents of fundamental research are different from those encountered in applied research. However, the techniques and the procedures in these two types of research may not be very different. In many instances, the distinction between applied and fundamental research is not clear. Some research areas have both applied and fundamental flavour. Likewise, the scientific method provides a key to advances in both fundamental and applied research. The features of applied and fundamental research are highlighted in Figure.



Source: Saunders, Lewis & Thornhill (2003).

3.2 Research Design

Research design is scheme for doing research work. It is the plan, structure, and strategy of investigation conceived so as to obtain answers to research questions and to control variance.

It is always purposeful scheme of action purposed to be carried out in a sequence during the process of research, focusing on the management problem to be tackled (Michael, 2000)

Research design is the plan, structure, and strategy of investigation conceived so as to obtain answers to research questions and to control variance (Karlinger, 1986; 275).

Basically, the research design has two purposes. The first purpose is to answer the research question or test the research hypothesis. The second purpose of a research design is to control variance. Several

typologies have been suggested for classifying a wide variety of research designs used in social science research. Mc Grath (1970) suggested five models of different types of research designs; controlled experiment, study, survey, investigation, and action research. Seltzer and others (1962) suggest three broad categories of research design; formative or exploratory studies, descriptive studies, and studies testing causal hypothesis. Boyd, West, Stasch (1998) suggest two broad categories of research design; exploratory research, and descriptive research design. In this study research design are to be categories according to Boyd, West, and Stasch

There are mainly two type of research design- exploratory and descriptive. Exploratory design is essential for formulating hypothesis. It is done to investigate possible cause and effect relationship by exposing one or more control group to one or more treatment conditions and comparing the results to one or more control, groups but not receiving the treatment conditions and comparing the results to one or more control groups but not receiving the treatment. Descriptive research design is a type of fact-finding research. It is conducted under respondents' options.

The descriptive research designs will be followed in the study. Such designs provide a description of a specific situation in such a ways as to help the researcher identify cause and effect relationship.

This study is basically based on survey research. To examine the consumption behavior of student, businessman, and service holder on Nabil Bank products is the main objective of the study. Therefore, a survey research design was applied to fulfill this objective.

3.3 Method of Data Collection

The data have been collected through a self-administrated questionnaire survey at respondents place at mutually convenient time. The respondents were supported by oral explanation at that point where they got confused or unable to understand content of the questionnaire.

Sample of the questionnaire is given in annex A. Besides, the researcher had personally observed affect of marketing strategy and product promotion conducted by Nabil Bank Limited time to time.

3.4 Types of Data

Data are mainly two types, one is primary and another is secondary. Primary data are the first hand data, generated by original research to solve the specific and current research questions the major advantage of primary data is that the information is specific, relevant, and up-to-date. There are two principle methods of collecting primary data; observation and questionnaire.

Secondary data are information that are already collected for other purposes and is readily available. The major advantage of this type is its easy availability. The major advantage of availability & lower cost than primary data.

For this study, both primary and secondary data and information are used. But the research is mainly based on primary data or original data collected direct through questionnaire.

3.5 Area of the Study

After arrival of joint venture and privately managed commercial banks a very high competition has been increased which are enforced and compelled to old commercial banks to adopt systematic working environment. Customers are benefited either high interest on deposit or low interest on loan or credit. Customers are also attracted by fast services, good behaviour and banking products.

Among the 25 commercial banks, the Nabil Bank Ltd. is selected for the study. This study is again confined in Marketing Strategy adopted by commercial banks in Nepal, special reference to Nabil Bank Ltd.

3.6 Statistical and Mathematical Tool Used

Data are collected from various sources and analyzed by the help of financial and statistical tools. The result of analysis has been properly tabulated, compared analyzed and interpreted.

Few statistical tools are mentioned below:

Mean or Average:

The arithmetic mean or average is a single value which represents a group of values. It can be calculated by the sum of total value to the number of items as mentioned below formula:

$$\bar{x} = \frac{\sum x}{N}$$

Standard Deviation:

It measure the absolute variability of a distribution, the greater the amount of variability the greater the standard deviation, for the greater will be the magnitude of the deviations of the values from their mean. The small standard deviation means a high degree of uniformity of the observation as well as homogeneity in the situation. Below mentioned is the formula:

$$\sigma = \sqrt{\frac{\sum x^2}{N} - \left(\frac{\sum x}{N}\right)^2}$$

Co-efficient of Variance:

It is used for comparing the variability and homogeneity of two or more numerical situations. Below mentioned is the formula:

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

Co-efficient of Correlation:

Correlation analysis is a statistical tools that we can use to describe the degree to which one variable is linearly related to another. Below mentioned is the formula:

$$r = \frac{N \cdot \sum xy - \sum x \sum y}{\sqrt{N \cdot \sum x^2 - \sum x^2} \sqrt{N \cdot \sum y^2 - \sum y^2}}$$

Probable Error:

It measures the significance of Correlation value. Below mentioned is the formula:

$$P.E. = .6745 \frac{1-r^2}{\sqrt{N}} \times 100$$

From the above mentioned stactical tools, required tools as per the need of the material has been used in this study. In most of the places Average Mean tools has been used.

Chapter IV

DATA COLLECTION, *ANALYSIS AND* *INTERPRETATION*

4.1. Marketing Strategies Adopted By Nabil Bank Limited to capture the market share:

Product Strategy:

Nabil Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil provides a full range of commercial banking services through its 47 points of representation across the kingdom and over 170 reputed correspondent banks across the globe.

Nabil Bank Limited, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business.

Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes ATMs, credit cards, state-of-art, world-renowned software from Infosys Technologies System, Bangalore, India, Internet banking system and Telebanking system.

Considering complex & present banking scenario NABIL has adopted some of the marketing strategies to attract the market towards its deposit products. Some of the deposit products are:

) Nabil Lok Bachat:

With an intention to develop banking habit and culture among the people of the country, bank has developed this product.

The Features are:

- Account opening with a minimum balance of NPR. 500.00
- Interest can be earned on monthly minimum balance above NPR. 15,000.00
- ATM card; discounted rate, only at NPR 200.00
- Free Nabilnet (Internet Banking) facilities.
- Unlimited deposit.

) **Nabil Bachat:**

NabilBachat is our premium savings deposit product. The minimum balance requirement for this deposit is NPR. 50,000 and the interest rate in this is a/c is 5.5% p.a. for deposits exceeding NPR. 50,000.

The Features are:

- Debit Card (VISA Electron): Free of Issuance Charge
- Anywhere Branch Banking Service (ABBS): Free of Charge**
- Account Statement: Free of Charge
- Stop Payment: Free of Charge
- Good for Payment: Free of Charge
- NabilNet (Internet Banking System): Free of Charge
- Balance Certificate: Free of Charge
- Free Cheque Book Issuance
- TC: Free of Issuance & purchase charge

Other Privileges

- a. Privilege Relationship
- b. Locker Facility

) **Nabil Student Savings:**

Nabil Student Saving accounts are meant for the students. This product is an amalgamation of a Deposit Product and a Loan Product.

The Features are:

- Only students can open this account
- Minimum balance of NPR. 500.00

- Better interest rates
- Instant access on online banking services
- Privileged education loans
- Free Cheque books
- Special discounts on TCs, Bank Draft & Swift Transfer

) **Nabil Nari Bachat:**

Nabil Nari Bachat is a specially designed deposit product for female customers. The account holders are offered with a customized Visa Electron Debit Card and with this Nabil is the first Bank ever to have crafted a special Visa Electron Debit card for women. This product is suitable for the women from various walks of life. The account holders are also entitled to get special discounts/offers from various organizations/outlets/shops/restaurants/hotels within the valley.

The Features are:

- Minimum balance requirement: NPR 500
- Interest rates: 4.5% p.a. payable on monthly minimum balance (above Rs. 15,000)
- Free Nabil Net
- Unlimited withdrawals & Deposits
- Issuance of ATM Card with a charge of NPR. 200 (mandatory)
- Free Issuance of Cheque Book
- Free 365 days Banking/Evening Counter
- 25% discount on the Issuance of Traveler's Cheque, Swift Transfer, Demand Draft
- Facility of Locker (preference given subject to availability)
- The account holders will be entitled to get various discounts at different outlet /shops /hotel/ Jewelers/ etc

) **Nabil Corporate Staff Savings:**

NABIL Bank limited has developed a Salary management account to maintain relation with the organizations and its staffs. A product designed for the cross sells of the product and cross marketing of the products of NABIL.

The Features are:

- Minimum Balance Requirement: Zero
- Interest Rates: 4.5% p.a. on Daily Balance
- Free Nabil Net
- Unlimited withdrawal & Deposit.
- Issuance of Debit card with a charge of NPR. 200.00 (mandatory)
- Free issuance of cheque book.
- Free 365 days banking and evening counter

) Normal Saving Deposit:

Savings deposit accounts are meant for those individuals who have a habit of saving money from their earnings so that they can use it when they require. The bank allows holders to withdraw the money as and when they need it. However for your own convenience, it would be better if you inform the bank prior to your presenting the cheque over the counter for bulk cash withdrawals. The bank will provide you with a cheque book for withdrawal of cash. Interest rates in savings accounts are subject to change depending on the market conditions. Bank will provide statements of transactions on a periodic basis. Customers are encouraged to use NabilNet to download your statements and view your transactions through the internet.

We open normal savings deposit accounts in Nepali Rupee and various other convertible foreign currencies.

) Current Account:

In current accounts, you may withdraw or deposit any amount of cash. However for your own convenience, it would be better if you inform the bank prior to your presenting the cheque over the counter for bulk cash withdrawals. You just need to make sure to maintain the minimum balance in the account as set by the bank to avoid ledger fees set by the bank. You will be provided with a cheque book containing as many leaves as required by you

depending on your business transactions. Individuals, profit-making business houses, international / national non-government organizations and others open current accounts. This is a non-interest bearing account. Normally statements are provided to customers on a periodic basis. Customers are encouraged to use NabilNet (online banking system) to download statements and view transactions as through the internet.

We open current accounts in Nepali Rupee and a range of other convertible foreign currencies in all the foreign currencies listed by Nepal Rastra Bank.

) **Call Account:**

Call deposit accounts are those accounts where you park high-volume short term deposits. These accounts pay interest to account holders based on the rate negotiated with the bank. Cheque books will be provided to the call account holders to withdraw cash.

We open call deposit accounts in Nepali Rupee and various other convertible foreign currencies.

) **Time Deposit:**

Time deposit accounts are meant for those individuals and corporate houses, who would like to earn interest on the fund not in use otherwise for a period of time. Time deposit accounts are opened for a fixed period of time ranging from 2 weeks to more than a year. These accounts pay interest to account holders at the rates agreed upon with customers at the time of opening time deposits. The interest rate and initial deposit will be fixed for the period as agreed with the bank. In case time deposit holders need fund from the time deposit account prior to its maturity, they can apply for a loan pledging the time deposit certificate on which the bank will have the lien.

4.2. Interest Rates and Commission:

NABIL Bank Limited has also focused on earning through its competitive rates provided in deposit and lending. The competitive interest rates on deposit have been able to attract the good volume of deposit whereas, very competitive lending rates has been offered for the credit facilities.

Commission and fees earned from other services of the bank also plays a major role in its income. The rates offered by the Bank are very competitive. Different rates in travelers cheque exchange, foreign currency exchange, fax transfer, guarantee commission, swift transfer, telex charges, draft commission for its customer like students, preiveledge customers are very effective.

4.3 Present Economic & Banking Scenario

4.3 (A) Macro Economic Scenario

The economy of Nepal has been bleak not been faring well over the past few years. The GDP growth rate has always been blow 6% marked and in most of the years it was at 3 to 4%. The year 2010/11 is no exception. According to the preliminary assessment of the Central Bureau of Statistic, Government of Nepal the GDP at basic price has grown by 3.5% in comparison to 4% last year while GDP at producers' price has grown by 3.5% in comparison to 4.6% last year. The agro sector has grown by 4.1%, industry by 1.4% and service sector by 3.6% respectively.

In the agro sector, fishery has estimated growth of 6.8% while agriculture and forestry edged up by 4.1%. Rise in the agro sector is mainly because of increase in paddy, maize, and wheat production. As per the report of the Ministry of Agriculture & Cooperatives unveiled in April-May 2011, the production of paddy, maize and wheat in the year 2010/11 was estimated to increase by 10.9%, 11.5% & 12.2% respectively.

The industry sector, GDP of electricity, gas and water was estimated to have negative growth by 4% while construction, manufacturing & mining was estimated to have nominal growth of 3.3%, 1.5% and 2.1% respectively.

In the service sector, hotel & restaurant has an estimated growth of 7.4%, while transportation, storage & Communication and other community, social and personal service has marked 7.2% and 8.6%, respectively. The hotel & restaurant recorded a marked growth of 21.7% during the current fiscal year vis – a- vis 12.8% last year due to the arrival of a higher number of tourists, out of which, Indian tourist grew by 40.4% and tourists from other nation by 15.9%.

Inflation remained at around 9.6% in FY 2010/11. Consumer price index of food and beverages has scaled up by 14.7% while non foods and services group scaled up by 5.4%. The index of foods and beverages and non food and service group had increased by 15.1% and 4.9% respectively in 2009/10. The rise in index is mainly because of power crisis, increment in salary/wages rates, and lack of improvement in prices especially in food and beverages items and high inflation rates of food items in India.

With the revision of salary & wages rates, annual average salary and wage rate index rose by 18% as against 17.2% last year. The average salary index during the year 2010/11 rose by 20.2% while average wage rate index rose by 24.4%

The economy is highly dependent on foreign employment. Around 80% of the FOB merchandise trade deficit is covered by the remittance received from workers. In the year 2010/11, the Government of Nepal, Department of Foreign Employment granted the final approval to 354,716 workers for foreign employment, a 20.6% increase in comparison to the of the last year. Malaysia & gulf countries once again remained to be the top destination for Nepalese workers.

The year 2010/11 finally registered BOP surplus breaking two year's deficit position. Growth rate of export outpaced and growth rate of import for the first time in the last ten years. Moreover, the export jumped by 6.15 after the decline of 10.2% last year while import recorded the growth of 5.5% in comparison to growth of 31.6% last year, thereby narrowing the growth of trade deficit. Remittance has been major contributor to manage BOP for the last several years. While the nation's import had surged far ahead than the nation's export due to dismal performance of manufacturing and trading sectors, remittance among other things compensated the deficit to the keep economy moving forward.

4.3 (B) **The Banking Industry**

Nabil Bank; where are we?

The year 2010/11 has been a satisfactory year. The bank completed 3rd year of its 5 years' strategic plan with financial year 2010/11. Despite prolonged political instability and economic stagnancy, Nabil not only continued to maintain its balance sheet size but also posted a growth thereby posting growth under profit. Overall deposit growth of commercial banks in the current financial remained 8.9%, while Nabil could achieve growth of 7.1%. Similarly, overall lending growth of commercial banks remained 12.6%, while the bank could post growth of 17.8%. This obviously gave the bank the advantage of witnessing growth on net interest earnings; however, it didn't move proportionately. As per unaudited financial data the entire commercial bank witnessed financial growth of 12.7% under the net interest earnings, Nabil posted the growth of 9.1%. Modest growth is due to the maintenance of comfortable liquidity (LD ratio 26.5%) and capital position (capital adequacy before cash dividend 11.83%; after cash dividend is 10.58%), re-pricing savings deposit at higher rates and bank's conscious strategy to re-price lending rates marginally but steadily in order to support the borrowers under such a difficult time. Interest rate growth in the last two years has been the major concern for all. It on one hand gave the opportunities to earn more to the depositors, and on the other hand passing it on to the borrowers became unbearable. This has made higher debt burden to the borrowers leading to the growth in default rates, particularly under the retail loan segment. Despite the bank's concerted efforts, interest suspense in the current financial year increased by around 35% in comparison to last year while NPA has also increased by 94.9%. However, due to the accounting of interest income and loan loss provisions for exposures that were due on mid July 2011 and were collected within Mid August 2011 (Shrawan 2068) in line with the Central Bank's guidelines which stipulated accounting interest income and loan loss provision on a deferred cash basis to some extent limited interest suspense growth and NPA to 23% and 41%, respectively.

4.4 Performance Review; last two Financial Years:

The bank has achieved satisfactory growth in all aspects. Following are the Major achievements of the Bank in the Fiscal Year 2066/67 and 2067/2068

FY	2066/67	2067/68	Growth
Branches	44	49	11.36 %
No. of staffs	1,000	1,283	28.30 %
No. of ATM			92.64 %
Deposit	46,410.70 Million	49,696.11 Million	7.08 %
LDO	32,268.87 Million	38,034.10 Million	17.87 %
Profit	1,141.05 Million	1,337.75 Million	17.00 %

- The great success in the handling of the Salary Management of the staffs of Nepal Rastra Bank, Baluwatar which has resulted in the increase in the salary management of different offices which are as follows:
 - Nepal Rastra Bank, Banking Office, Thapathali
 - Nepal Television, Singha Durbar
 - Ministry of Home
 - Ministry of Women, Children and Social welfare
 - Ministry of Law, Justice and Parliamentary Affairs
 - Ministry of Forest and Soil Conservation
 - Ministry of Tourism and Culture and Civil Aviation
 - Ministry of Agriculture and Cooperatives
 - Ministry of Health
 - National Planning Commission
 - National Vigilance Centre
 - Commission for investigation of the abuse of Authority (CIAA), Tangal

- Award of the ISO certificate of all the offices of the Bank

- Launching of Samman Bacchat, Pewa Bachat Yojana and Privilege Loans to Account Holders for Salary Management

- The bank has been providing Internet Banking Facility through its Internet protocol to its valued customers and has plans of further expanding the same.
- The bank has been able to provide an alert message for both debits and credits in the account of the customers through mobile phones to control fraud.

4.5. Future Plan for FY 2010/11

Though the bank has a momentum, yet it sees the big challenges ahead and does not undermine the risks that it is exposed to. Considering the objectives of becoming the 1st choice provider of complete financial solution, the Bank plans to:

- Review policies & procedures in order to implement the best in the industry,
- Implement code of conduct for employees in supplement to HR Byelaw
- Review corporate culture through survey and inculcate good culture throughout the organizational set up,
- Strengthen the infrastructure and build human resource pool
- Review the transparency level and implement the best standards,
- Implement standard disclosure requirements (Financial as well as non financial)
- Reengineer products & services
- Review & identify areas where the bank can seize the untapped potential and also contribute uplift the economic values of the society,
- Review relationship with the customers and implement the feedback in the best interest of the bank and the customer
- Review and monitor the quality of assets closely
- Review the costs & devise plan for optimum utilization of resources.

) **The Opportunities are:**

- Number of youths going for foreign employment is increasing. Therefore the remittance business as well as the lending opportunity is increasing tremendously.
- There is a positive indication of commencement of huge hydropower projects in the country and this will be a potential venture for term lending.
- Due to the huge hydropower projects, a significant improvement will be noticed in the living standard of the people and we have opportunity to sell our retail products at large.
- We are ahead in banking technology and we can use it to maximize the value of our services.

) **The challenges are:**

- Maintaining the confidence of the public and the shareholders.
- Developing the brand image and goodwill of the bank.
- Improving the quality of service and maintaining cost effective delivery of services and products.
- Providing high value and satisfaction to the customers to retain them and fetch their loyalty towards the bank.
- Maintaining high morale of employees for optimum productivity and retention.
- Competing with the global players as well as the national players as the market has been open to all new players, local and foreigners, with the new set of rules under Bank & Financial Institutions Ordinance and accession to WTO.

4.6 Strategic Plan

The competition is intense and the customers can choose banks based on criteria such as quality of service, advisory services, product ranges and product prices. They will not hesitate to swap their business to the competitors if their expectations are not met.

The basic approach of this strategic plan is to maximize resources use, minimizing the cost, optimizing performances and setting up a corporate culture within the organization. The strategic approach also focuses on strengthening organizational communication and building up team environment within the bank for optimization of the performance.

Considering the above facts, the core strategies set under this Business Plan are as follows:

) **Capital Fund Strategy**

The Central Bank has introduced a new regulation that the capital of the bank has to be increased to 2.00 billion rupees by the end of the fiscal year 2069/70. For this purpose, the bank has to develop a strategy for meeting up this requirement as instructed by the central bank. The bank will provide bonus share of 12.50% in FY 2064/65 to increase the capital.

) **Functional Strategy**

Following functional strategies were adopted in FY 2010/11 for achieving target growth.

) **DEPOSIT STRATEGY**

The focus will be to reduce the cost of deposits by changing the current deposit structure and will also develop new products to attract the market and increase its market share.

There should be more stress on increasing the foreign currency deposits. It will be the endeavour of the bank to increase the volume and numbers of the foreign currency accounts.

The "Nabil Bachat A/c" has taken a good momentum due to lucrative return on deposit. Similarly, Salary management of different corporate

organizations, this account should increase further. Newly launched Nabil Lok Bachat has also taken momentum. This momentum will need to be further pushed so as to increase the Saving Deposits base and gradually replenish the Call Deposits, which will provide stability as well as reduction on cost of deposits.

Deposit product like "Nabil Bachat" helped to increase the saving base. The bank will develop products to cater all demography.

Bank will develop a new scheme based on the NRB directive to discourage interest earning deposit for BFIs. The Marketing team as well as each staff of the bank will put their personal efforts to reduce cost and increase desired volume of deposits.

) **LENDING STRATEGY**

Bank will review the existing credit management system with a special focus on product concentration and pricing structure. Review of the products and make necessary changes to cope up with the present competition is the basic strategy.

The focus will be to create quality risk assets with good net margin. Those customers who consume not only interest based products but also fee-based products should get priority in lending and pricing.

Priority will be given to SMEs in some extent. Retail Lending & Home Loans shall be given priority since they are less risk weighted as per the Capital Adequacy Requirement.

Lending in Retails Products (such as Education Sector, Hire Purchase, Home Loan, Auto Loan, Personal Loan and Foreign Employment loan schemes) will be continued with extra focus.

A couple of new products are being developed to cater emerging needs of the market to attract new segment of the customer.

Tactful marketing skill and good rapport of our marketing team with good standing borrowers will support to achieve the lending targets.

) **MARKETING STRATEGY**

The bank believes in all the staff as its marketing agent. The marketing team will strive to bring the entire products and services to the knowledge of the potential customers in the market. Not only the staff in marketing team, every staff of the bank will act as a marketing representative of the bank to achieve the targets. Cross selling of the products and services will be given high priority.

To achieve the targets in deposits and lending, different marketing tools and skills as well as substantial promotional activities through different media will be used.

A proper channel will be devised for flow of information and feed back from the Marketing Department to other departments for improvement in delivery of services as well as other areas.

a) Products Strategy

In view of competitive Banking scenario, launching of new products is not sufficient to attract and retain customers. In addition, proper care and quality service and after sales follow-up services shall be provided.

The marketing team will assess the position of existing products and services, suggest required restructuring and modification of existing products, design new products, select target group/market and formulate marketing strategies for existing and new products.

With our sophisticated technology, the bank has been able to offer technology based products and services to the market, such as Debit/Credit Cards, ATM Cards, Tele-banking, Mobile banking, Internet Banking etc. and this should be further improved to strengthen the bank as well as provide it with a leading edge.

Bank shall also restructure and tune-up our existing products and services, as and when necessary, as per customers need and market trend.

Analysis of the respondent about most preferred product of Nabil Bank Ltd:

Table – 1

Distribution of the respondent about most preferred product of deposit:

Survey view: 40

Survey response: 35

S. No.	Types of Products	Preferred No.
1	Normal Saving A/c	6
2	Nabil Lok Bachat A/c	6
3	Nabil Bachat A/c	16
4	Current A/c	2
5	Nabil Nari Bachat A/c	3
6	Nabil Student Savings A/c	1
7	Nabil Corporate Staff Savings A/c	1
Total		35

Above analysis shows deposit product named Nabil Bachat is more preferred by the customers than any other products.

Analysis of the respondent about most preferred product of Nabil Bank Ltd as per age group of customers :

Table – 2

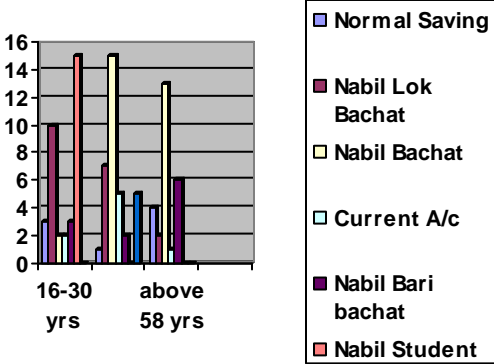
Distribution of the respondent about most preferred product of deposit:

Survey view: 40

Survey response: 35

S. No.	Types of Products	Between (16- 30) yrs	Between (31- 58) yrs	Above 58 yrs
1	Normal Saving A/c	3	1	4
2	Nabil Lok Bachat A/c	10	7	2
3	Nabil Bachat A/c	2	15	13
4	Current A/c	2	5	1
5	Nabil Nari Bachat A/c	3	2	6
6	Nabil Student Savings A/c	15	0	7

7	Nabil Corporate Staff Savings A/c	0	5	0
Total		35	35	33



The above table list most of the youth has preferred Nabil Student Savings whereas customers between the age limit of 31 to 58 years & 58 & above has chosen Nabil bachat account.

b. Promotion Strategy

We will adopt Personal Selling as well as Sales Promotion tools.

In order to sell the new products, it is important to bring it in the notice of the end users. Therefore, products should be aggressively marketed through various media like newspaper, TV, talk programs, etc.

For Corporate Customer, we will adopt personal selling and provide door-to-door service.

Managers and employees of the bank will be encouraged to involve in the social clubs. This will support in PR maintaining and marketing as well. Annual interaction with the stakeholders will be organized in each branch for maintaining PR and getting feedback,

The banks brochures will be updated continuously and will provide full description of the products and services provided by the bank.

Analysis of the respondent about most effective Promotional Tools:

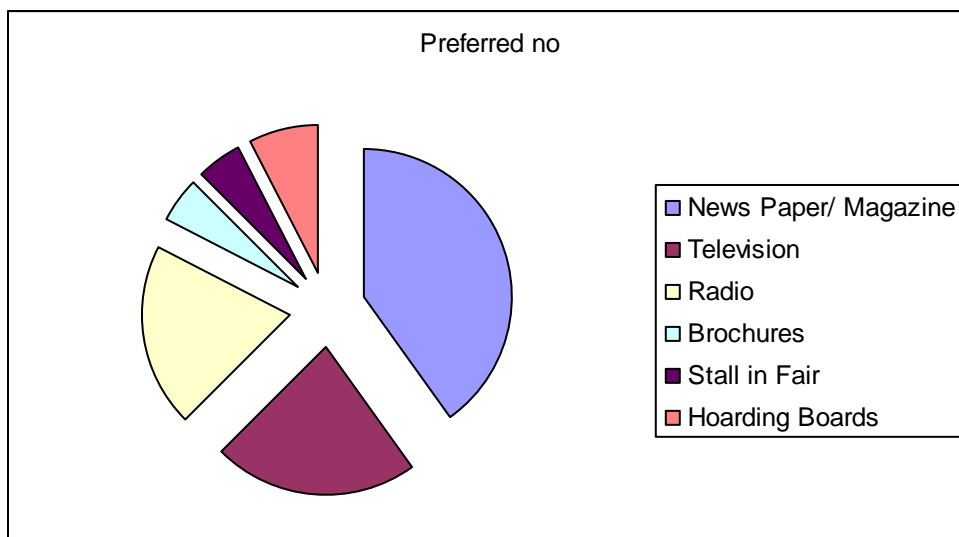
Table – 3

Distribution of the respondent about most effective promotional tools:

Survey view: 40

Survey response: 40

S. No.	Types of Tools	Preferred No.
1	Newspaper/Magazine	20
2	Television	7
3	Radio	5
4	Brochures	1
5	Stall in Fair	3
6	Hoarding Board	4
Total		40



Advertisement used in Newspaper and magazines are more effective promotional tools.

Analysis of the respondent about most effective advertisement:

Table – 4

Distribution of the respondent about most effective advertisement:

Survey view: 40

Survey response: 40

S. No.	Advertisement	Preferred No.
1	Nabil Lok Bachat (Radio)	20
2	Nabil Student Savings (Print Media)	9
3	Nabil Bank Ltd (Visual Ad)	9
4	Nari Bachat (Print Media)	2
Total		40

Radio Advertisement given at the time of launching/ promoting Nabil Lok Bachat was more liked by customers.

c. Pricing Strategy

We should adopt Market Penetration Strategy for Corporate Customer and Charge low prices to attract corporate customers.

Beside this, we will identify potential market segment and use effective marketing tools to grasp the customer in those particular segments.

Analysis of the respondent about impact of pricing in Nabil Bank Ltd:

Table – 5

Distribution of the respondent about impact of Pricing in choosing Nabil Bank Ltd:

Survey view: 40

Survey response: 35

S. No.	Types of Pricing	Preferred No.
1	Service Charge/loan processing fees	8
2	Interest Rate in Deposits	12
3	Draft Commission	5

4	Swift Commission	6
5	Interest Rate of Loan	4
Total		35

Interest rates provided in deposit and Service Charge/loan processing fees are more competitive rather than Interest rates and commission in draft, swift and loans.

Analysis of the respondent about most attracted facility in deposit scheme of Nabil Bank Ltd:

Table – 6

Distribution of the respondent about most attracted facility in deposit scheme most preferred product of deposit:

Survey view: 40

Survey response: 38

S. No.	Facility	Preferred No.
1	ATM/ Debit Card facility	6
2	Reduction in loan processing fee/ service charge	10
3	Discount in annual locker fee	3
4	Privileged loan facility	2
5	Free ABBS Facility	14
6	Free Internet Banking	1
7	Consideration in Draft Commission	2
Total		38

The above table shows that Free ABBS facility is still being lucrative offer even in today's' banking sector and reduction loan processing fee is also remain quite rewarding.

d. Place Strategy

To capture its market share and increase its networking, the bank has developed a place strategy. Increase in no. of branches and its most advance technology has been advantages to capture its market share and provide wide range of banking services.

Chapter V

SUMMARY, *CONCLUSIONS* & *RECOMMENDATIONS*

5.1 Summary of the Study:

Marketing can be defined as the activities done by the company of the people to the product or services from the place of production to the place of consumption. Thus, the marketing is a transaction of exchange. Similarly, marketing consists of activities designed to generate and facilitate **exchange** intended to satisfy human needs and wants.

Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.

Bank is an institution which deals with money and credit. Commercial banks mean those bank which are established not for the purpose of co-operative, agriculture, industry or any other specific objective but to exchange money accept deposits, grant loan and to support commercial activities. [Nabil Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil provides a full range of commercial banking services through its 47 points of representation across the kingdom and over 170 reputed correspondent banks across the globe.

Nabil, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business.

Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes ATMs, credit cards, state-of-art, world-renowned software from Infosys Technologies System, Bangalore, India, Internet banking system and Telebanking system.] The bank has been providing latest banking services to its customers like Any Branch Banking Services, Internet Banking and Mobile Banking etc.

The basic approach of the strategic plan is to maximize resources, minimizing the cost, optimizing performances and setting up a corporate

culture within the organization. The strategic approach also focuses on strengthening organizational communication and building up team environment within the bank for the optimization of the performance. Bank has introduced technology based products and services to the market such as Debit/Credit Cards, ATM Cards, Tele-banking, Mobile Banking, Internet Banking etc. The bank has restructured and time-up its existing products and services and when necessary as per customers needs and markets trends.

Human Resource is the essential requirement of the organization. It plays a vital role to achieve organizational targets. Employees with high morale, rich experience and proper working environment are the factors of organizational success and effectiveness. The bank has focused on job retention, job enrichment, career planning and development, motivation and training & development. Emphasis is also given to the participative performance management system.

5.2 Conclusion of the Study:

The banking business in Nepal is becoming very competitive and would be further more competitive after the year 2010 A.D. Customers satisfaction would be the key to lead and retain in the market. The bank with very effective service delivery mechanism will survive in the market and can face growing competition and challenges.

The NABIL Bank Ltd. will focus on effective communication with the customer for optimum customer satisfaction. The focus will be on quality standard compliances for customer satisfaction. The focus on customer satisfaction will be deep rooted in organizational culture to institutionalize the bank.

The various deposit products provide good mileage and This strategy will need to be further pushed so as to increase the saving deposits and gradually replaced the call deposits.

The Marketing team as well as the staff members of the bank is cooperative, good behaved, well mannered and satisfactory personnel relation which enhance to increase the volume of deposit and reduce the operational cost which facilitate for getting more profit.

5.3 Recommendation of the Study:

After the detail analysis and interpretation of the data and information related to marketing strategy adopted by Nabil Bank Ltd. the following recommendation can be done

- a. Bank will focus on developing new products of its own and make a suitable market strategy in the matter concern.
- b. Lending in retail products shall be done more sensibly such as Education Loan, Auto Loan, Home Loan, Auto Loan, Mortgage Loan and Education Loan will be continued with extra focus on pricing and service for this a new strategy has been formulated to reach in targeted group.
- c. The inward remittance has been channeled in as systematic manner through bank counters. It will be fruitful both in terms of commission and foreign exchange earning.
- d. Appropriate and adequate training for marketing staff will be essential to improve the skill and good rapport of marketing team
- e. A proper channel will be developed for flow of information and feedback from the marketing department to other department for improvement in delivery of services as well as the other areas of the bank.
- f. Focus will be given of developing online transaction module in Internet Banking and SMS Banking. Hardware System should be kept up date according to the requirement.

Survey Questionnaire

Dear Respondents,

I would like to seek your kindness by sparing a few moment of your precious time for filling up this questionnaire, which could contribute significantly, to my research study for MBS.

1 Do you have account in any of the bank at Birgunj? If yes how many account?

Yes No If Yes, No. of Accounts

2 Do you have account at NABIL Bank Ltd.?

Yes No

3 How do you know about NABIL Bank Ltd.?

- Television	<input type="text"/>	- Radio	<input type="text"/>
- Newspaper/Magazine	<input type="text"/>	- Hoarding Board	<input type="text"/>
- Brochures	<input type="text"/>	- Stall in Fairs	<input type="text"/>

4 Why choosing NABIL Bank Ltd.?

- Prompt Service	<input type="text"/>	- Easy Location	<input type="text"/>
- No. of Branches	<input type="text"/>	- Free Facilities	<input type="text"/>
- Free Anywhere Banking Facility	<input type="text"/>		

5 Which type of account do you have at NABIL?

- Nabil Lok Bachat	<input type="text"/>	- Current A/c	<input type="text"/>
- Nabil Bachat	<input type="text"/>	- Normal Saving	<input type="text"/>
- Nabil Student Saving	<input type="text"/>	- Call A/c	<input type="text"/>
- Nabil Nari Bachat	<input type="text"/>	- Time Deposit A/c	<input type="text"/>
- Nabil Corporate Staff	<input type="text"/>	- Savings	<input type="text"/>

6 Is interest rates provided by NABIL Bank Ltd. in deposit competitive?

- Competitive

- Below Market Rate
- Higher than Market Rate

7 Do you have any credit relation with NABIL Bank Ltd.?

Yes No

8 If yes, how do you categorize lending rate of NABIL Bank Ltd.?

- Competitive
- Below Market Rate
- Higher than Market Rate

9 How long have you been with NABIL?

- More than 5 Years
- More than 2 Years
- More than 6 Months
- Recently

10 Does your other family member also have account at NABIL?

Yes No

11 Please rate your preference in the following factors for banking:

- | | |
|-------------------------------------|--|
| - Service <input type="checkbox"/> | - Facilities <input type="checkbox"/> |
| - Location <input type="checkbox"/> | - ATMs <input type="checkbox"/> |
| - Network <input type="checkbox"/> | - Staff Behaviour <input type="checkbox"/> |

12 You attracted to which product of NABIL?

- | | |
|--|---|
| - Nabil Lok Bachat <input type="checkbox"/> | - Current A/c <input type="checkbox"/> |
| - Nabil Bachat <input type="checkbox"/> | - Normal Saving <input type="checkbox"/> |
| - Nabil Nari Bachat <input type="checkbox"/> | - Call A/c <input type="checkbox"/> |
| - Nabil Corporate Staff <input type="checkbox"/> | Savings - Time Deposit A/c <input type="checkbox"/> |

13 How do you rate NABIL bank?

- Exceeds Expectation

- Meets Expectation

- Below Expectation

- No Expectation

14 NABIL Bank need revision in:

- Product design

- Interest rates

- Branch Location

- Lending rate

- Commission revision

- Fee Structure