

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Nepal is assumed to be the country having one of the smallest economies around the world. It has the least contribution to the world economy. Nepalese economy was almost closed and isolated before 2007 B.S. After the establishment of Democracy in 2007 B.S. in Nepal the financial system is assumed to be enforced. The government applied “Mixed Economic policy” approach which was continued for a long time even after a political change in 2017 B.S. With the establishment of Multi Party Democratic system after the huge political change in 2046 B.S. Nepal applied Liberal, Open and Market oriented economy. The doors were opened to invite and promote Foreign Direct Investment in all sectors/sub sectors of the economy including the development, operation and management of basic infrastructures like roadways, telecommunication, transportation, education, health facilities, and more importantly towards hydroelectricity which carries hyper potentiality.

Economic growth is most essential for all round development of any country. In line of obtaining higher economic growth, a policy of broadening and strengthening monetary stability and fiscal discipline are given emphasis so as to obtain sound and sustainable economic development process. Rural areas are in the focus point in order to bring them on the main stream of development through participatory development and rural empowerment process.

#### **Main Features of Nepalese Economy:**

- i. A poor and Agro based economy
- ii. Low pace of economic growth
- iii. mixed economy
- iv. Higher rate of population growth and lower productivity
- v. Low capital investment
- vi. Rich in water and Natural resources
- vii. Unequal distribution of income

### viii. Maximum dependence on remittance

It is already stated that Economic Development is the most essential thing for all round development of any country. Economic growth is the main part of it. Financial institutions are considered as catalyst to economic growth of the country. Banks as the main part of financial institutions play the vital role in the economy. They mobilize the economy's financial resources and extend the credit to business and service enterprises and household too. Commercial banks are the heart of financial system which holds the deposit of individuals, household, government enterprises and business units. They make the funds available through their lending and investing activities to borrowers. In doing so, they assist both the flow of goods and services from the producers to consumers and the financial activities of the government. They also provide the basis to exchange so work as the medium of exchange. They have the power to affect the monetary policy adopted by central bank. So, commercial banks are very important for regular functioning of the nation's economy.

Although financial institutions have the long history in the world, Nepal is quite behind. The concept of financial institutions in Nepal was introduced with the establishment of "Nepal Bank Limited" on Kartik-30, 1994 as the first semi government commercial bank. In Baishak 14, 2013, Nepal Rastra Bank was established under separate Nepal Rastra Bank act-2012. The major objectives of NRB were to supervise, protect and to direct the commercial banking activities. With the increase in financial activities in all sectors/ sub sectors across the country, other financial institutions were gradually established and operated. Some major among them were Nepal Industrial Development Corporation (NIDC) in 2016 B.S. Rastriya Banijya Bank in 2022 and Agricultural Development bank in 2024 B.S. and still having better contribution to the national economy as well as growth of Nepalese Banking.

After the re-establishment of democracy in 2046, Nepalese government pursued liberal policy in banking sector. With the adaptation of open door policy foreign investment was allowed to this sector hence different banking institutions were getting permission to establish and operate by private sector which fostered the

establishment of joint venture banks in collaboration with other banks from foreign countries. Now there are 27 commercial banks in Nepalese Financial market along with 9 joint venture banks.

As the economy is expanding in the recent days the demand of credit is gradually increasing from different sectors. The banking system is over huge with liquidity (although many commercial banks are suffering from liquidity since last six months).It's the main cause which forced the banks to search for new areas of credit expansion and compelled banks to scrutinize alternative avenues to display their funds, thus emerged the concept of retail banking.

### **1.2 Concept of wholesale banking and retail banking:**

Banking as a whole can be viewed from two different aspects: wholesale banking and retail banking.

**Wholesale banking** is the provision of services by banks to the like of corporate clients, mid sized companies, real state developers and investors, International trade finance business institutions, institutional customers(such as pension funds and government entities/agencies) and services offered to other banks and other financial institutions. In essence wholesale banking services usually involve high volume transactions.

**Retail Banking** on the other hand implies executing banking transactions with a large number of customers with a relatively low business volume. It is simply providing banking services to individual customers. It is the typical mass market business in which individual customers use local branches of larger commercial banks. Services offered include: saving and checking accounts, mortgages, personal loans, debit cards, credit cards and certificate of deposits.

**Investopedia** defines retail banking as “Retail banking aims to be the one-stop shop for as many financial services as possible on behalf of retail clients. Some retail banks have even made a push into an investment services such as wealth management, brokerage accounts, private bankers and retirement planning where some of these ancillary services are outsourced to third parties.”

### **History of Retail Banking:**

The retail banking dates back to the late 1950s when the Northern European countries introduced it and then it spread to the other parts of Europe. In Nepal through retail deposit and time deposit were very much a part of banking activities; they were not recognized as retail. A term deposit from the corporate entity and that an individual person would be backed in same set of ledgers obtained from liabilities. It was in the early 2000 that first time retail banking as a distinct business identity was introduced in Nepal through customer business pioneer led by Standard Chartered Bank.

As the environment become original to healthy existence of retail financing and the Nepal's middle class looked for an organized sector as banking to address their needs. Many commercial banks are coming forward setting up "Retail Banking" as a business.

Some major differences between these two patterns of Banking are as follows:

S.N.	Nature	wholesale	retail
1.	size of transaction	large	small
2.	volume of transaction	low	high
3.	Earning speed	narrow	wide
4.	scope of technology	low	high
5.	Documentation	complex	simple
6.	regulatory impact	high	low

Most of the banks in Nepal are retail banks and very few among them are also performing as the wholesale banks.

### **Retail banking products:**

There are a lot of products introduced in the field of retail banking. Many banks are producing new, innovative, useful and vast products to attract the large number of customers day to day. There are lots of products which are beyond the study. Some of the mostly used retail banking products by many commercial banks is as follows:

#### **A. Personal loans:**

The widely used retail banking products of commercial banks are loans. Banks provide various kinds of loans to their customers. Most of today's banks are diversifying their usage of loans into different types. The mostly used types of loans by banks are as follows:

##### **i. Home loans:**

The economy of the country is gradually increasing. Many peoples in Nepal are from rural areas and are showing their expectations towards having their own homes in cities or towns. With the increase in remittance from foreign countries, it's been quite easier to achieve their expectations. as a host factors, such as number of dual income families, high salary employees with high purchasing and powers, phenomenal growth of the information technology sector, attractive tax shops for housing loan, desire to say new house etc. have contributed to the optimism in housing sector.

Investing in housing has always been on the top priority of the developing nation's families. Thus the banks are going in for housing finance with more visors. Since these loans are very secure, with low incidence of default, demand for housing loans has been growing by leaps and bounds and they form growing avenues for development of funds by banks. Home loan of course has been the fastest growing loan segment for banks in Nepal since past few years. It is estimated to be growing at around 40% per Annam. The housing finance players are continually dropping interest rates/fees and undercutting each other due to stiff competition in this sector.

##### **ii. Auto loans:**

In the recent days the demand for luxurious goods (like automobiles, bikes, laptops, digital cameras, gold, and furniture) is gradually increasing. On the other hand automobile is the key factor of any nation's development. Many countries are

adopting liberalized and opened economic policy. Not only this, media and advertisement campaign of automobile sector also attracting to the middle class consumers of Nepal.

After resurgence of retail banking, Automobile segment is being the most preferable segment to the retail bankers as well as to the household customers. This segment has boost to the entire Nepalese banking.

### **iii. Personal loans :**

There are many people who will to take loan from the banks. These peoples may be the banks regular customers as well as first time customers. In our context of, Nepal is the smallest consumer market in the world and consumers in this country are dreaming of buying opportunities. With the spurt in income levels specially in middle income segment and consumerism, consumer loans also called personal loans are now a days getting popularity in Nepal. People can get as easy to arrange with the help of fixed interest rates on the basis of fixed monthly repayment programmers.

### **iv. Education loan:**

Education plays an important role for nation building. On the other hand it is an essential and integral part for human resource development. Accordingly national or state policies are framed to ensure that this basic need is met through proper initiatives. At present, the government is gradually reducing the subsidies due to which education is getting more costly day by day. Hence comes the need of investment in education sectors by the banks especially to the pursuers of higher, technical and professional education.

### **B. Debit cards:**

A debit card (also known as Bank card or cheque card) is a plastic card that provides to attemptive payment method to cash when making purchases. Functionally it can be called an electronic cheque, on the funds withdrawn directly from either the bank account. The card is generally issued by consumer's bank and is connected through the ATM. Debit cards allow consumers to spend only what is in the consumers account and the purchases should be kept track of just as if consumers are writing a cheque.

### **C. Credit cards:**

A credit card is a small plastic card issued to users as a system of payments. It allows its holders to buy goods and services based on holders promise to pay for these goods and services. The issuer of the card grants the line of credit (to the consumer or the user) from which the user can borrow money for payment to the merchant or as a cash advance to user. Usage of the term "credit card" to imply a credit card account is a metonym.

A credit card is endowed the middle class with the power to acquire their dream objectives, which are often beyond their normal means. The emergence of plastic money or credit cards in Nepal has ushered in an era of convenience and security, apart from opening of new vistas of effective demand. A credit card holders gets many benefits like free credit period, discounts on travel expenses, quick loan processing and free gifts, besides, members can get free health insurance and check ups. In sum the credit card facility by banks has made comfort to the customers in terms of payments of shopping bills, electricity bills, phone bills, travel tickets and many other retail services.

### **D. Mortgage loans:**

A mortgage loan is a loan secured by real property through the use of a mortgage note which evidences the existence of the loan and the incumbencies of that realty through the granting of mortgage which secures the loan. However the word mortgage alone in everyday usage is most often used to mean mortgage loan.

A home buyers or builders can often financing (a loan) either to purchase or secure against the property from financial institution such as Bank either directly or indirectly through intermediaries. Features of mortgage loan such as size of the loan, maturity of the loan, interest rate, method of paying off the loan and other characteristics can vary considerably.

### **E. Innovative Banking:**

The major factor of retail banking which strengthens and allows it to be sustainable is innovative banking. Due to low consumer base and higher number of banks, the retail banking sector is being challenged by stiff competition. To grab the new customers and retain the bank as consumer friendly bank, the banks should offer new and innovative products. The major examples on this services applied by Nepalese banks are internet banking, mobile banking, banking anywhere, any time banking, ATM, Bills payment, private banking, co-branded cards and many other loans. The pace of technology and technological change are guiding innovative banking services of Nepalese banks.

### **1.3 Statement of the Problem**

The world of banking and finance has changed dramatically during past few years. Nepalese banks are also offering and continuously updating new products and services to achieve their goals. Many large global banks have in the recent past completely segregated their retail banking functions from the vast i.e. investment banking and private banking. Now Nepalese banks have specially offered for retail banking products naming differently like consumer banking, personal banking private banking, retail banking etc. but most of the people, academicians and students may not know about these services and products. Many of them may unaware about these products and their applications.

When the government introduced the liberalization policy, many banks, financial institutions and other institutions are established rapidly. These days many commercial banks, development banks financial institutions and other institutions are established rapidly. These days many commercial banks, development banks and financial institutions are operating their works to assist in the process of economic development in the country. Due to high competition in the financial institutions, the collection of huge amount from public is comparatively lower then fund mobilization and investment practice of collected funds which raised the problems of investment and proper mobilization activities.



As the major motive of the commercial banks is to earn more profit, they what to disburse the deposit on loans and advance on different sectors. These days, most of commercial banks are moving towards retail banking. as far my study is concerned , I have stated the following problems to deal:

- a. What are the recent scenario and the position of retail banking?
- b. What are the future perspectives of retail banking in Nepal?
- c. What are the major problems faced by Nepalese commercial banks to provide retail banking services?
- d. What are being the major constraints of retail banking towards consumer?
- e. What type of major retail banking products are prescribed by consumers?

#### **1.4 Objectives of the Study:**

The major objectives of this study are as follows:

- ) To analyze the present scenario of retail banking in Nepal.
- ) To analyze the recent trends on retail banking in Nepal during past four years.
- ) To identify and analyze the problem and prospects of retail banking through the opinion of stakeholders.
- ) To provide segmentations and recommendations to the concerned parties.

#### **1.5 Significance of the Study:**

Retail Banking is being one of the most emerging concepts in Nepal. In the recent days, it is being one of the important means of funds utilization of commercial banks. Since the last few years, some Nepalese banks adopting the retail banking concept to grab the high and middle level consumer of urban areas and sustain the banks profitability.

The major significance of the study can be as follows:

- ) This study is assumed to cover almost all phenomenon of retail banking. So that the general public can know the retail banking activities of Nepalese commercial banks.
- ) It will be beneficial for the government too to formulate the plans and policies regarding credit policy.
- ) This study will be very useful to the academicians, researchers, banking professionals, investors, students and many other concerned peoples.
- ) The managers and professionals of the sample banks will have special advantages from this study.

## **1.6 Limitation of the Study**

The major limitations of the study are to be considered as follows:

- ) The mostly concerned limitation of the study is this study is covered only three retail banking products among various products and services offered by banks.
- ) The study is based on secondary and primary data. Accuracy depends upon collection and data provided by banks.
- ) Only three commercial banks among 27 have been taken as the samples for the study.
- ) The study is for the partial fulfillment of master's degree in business studies so the time and cost constraints retain the study.

## **1.7 Organization of the Study**

This study has been organized into five chapters. Each chapter has its importance and deals with important aspect of the study.

The first chapter presents the introduction of the study. It includes various aspects of present study like Background of the Study, Focus of the Study, statement of the problem, objective of the study, significance of the study and limitation of the study.

The second chapter presents review of literature including concepts of interest rate theories, factors affecting interest rates, concepts of deposit with the study of related books, journal and thesis.

The third chapter is research methodology which includes research design, nature and source of data, population and sampling of the study, methods and tools of analysis of data and at last definition of key terms.

The fourth chapter presents the data analysis and presentation. This chapter is the main aspect of the study. It deals with data collection procedure and presentation of data with different statistical and financial tools, and findings of the study.

The fifth chapter is summary, conclusion and recommendation. At the end of the chapter summary of whole study, conclusion and recommendation are made.

## **CHAPTER II**

### **REVIEW OF LITERATURE**

Review of literature is to develop some expertise in one's area to see what new contribution can be made by the researcher? What other people have written about the topic? What theories have been advanced? And which approaches are being taken by other researchers about the topic? Their relevant finding issues, arguments, legit and suggestion do provide the gapless guide line to go further depth of the study –So there has to be continuity in research if we have answers already, we do not need to ask the questions again. Like this review of literature helps to repeat research problems.

Review of literature is the crucial aspect of the planning of the study. In this chapter the focus has been made on the conceptual framework and review of literature of the relevant retail banking aspects of the commercial banks. It is based on the available literature in the field of research. For this purpose, it needs to review the related literatures in the concerned area which helps me to get clear ideas, opinions and other concepts through 'what other has done?' 'What other has said' and 'what other has written'. These all the related questions are reviewed which has provided useful inputs in this research work. Every possible effort has been made to grasp the knowledge and information that is available from libraries, document collection centre, other information management bureaus, published /unpublished journals and the reports of concerned banks.

## **2.1 Conceptual Review**

### **2.1.1 Banking**

Simply stating Bank is the financial intermediary accepting deposits and granting loans. It offers the widest menu of products. In fact a modern bank provides such a variety of functions that makes difficult to give well acceptable and general definition of banks. It will be very worthy to refer various definition of bank given by the scholars and experts.

Kent "A bank is an organization whose principal operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to other for expenditure"

C.R. Crowther says "A bank collects money from those have it to spare or who are saving it out of their incomes and it lends this money to those who require it"

Commercial bank act-2031 defines banks as, a Commercial bank is a bank which deals in exchanging currency accepting deposits, giving loans, and doing commercial transactions.

John Paget states "No body can be a banker who does no (i) take deposit account,(ii)take current accounts (iii)issue and pay cherubs , and(iv)collects cherubs crossed and n crossed for its customers."

According to us Law " By banking we mean the business of dealing in credits and by a 'bank' we include every person ,him or company having a place of business where credit are opened by the deposit or collect of money or currency .Subject to be paid or remitted on draft ,cheque or order ,or money is advanced or Located on stocks, bonds bullion ,bills of exchange ,or promissory notes are required for discount or sale "

On the basis of these various definitions it can be concluded that a bank may be defined as a financial institution which involves in accepting deposits, advancing loans, as well as buying and selling several financial services. A modern bank cannot be limited to borrowing and lending activities only, rather it involves in the business of very wide range of financial services including various agency functions as well as general utility functions [Thapa & Rawal, 2009]

### **2.1.2 Basic Principle of Banking**

There are various meaning and the definition of the word 'banking' across the world. The American banking system is different from British and the Indian Banking system. Yet, certain basic trends of banking are common across the world. These trends are so fundamental that same words characterize almost all Banking systems globally. Those basic principles of Banking are as follows:

**i. Principle of Intermediation:**

Intermediary is one who bridges the two different interest groups. Banks are called Financial Intermediaries because they invest or lend Funds of depositors who themselves are unable to lend their Funds due to risk and other Factors involved in direct Lending. Banks assume the credit risk (non payment by borrower) involved in direct lending to those who need Funds (borrowers). They have expertise and abilities to manage such risks. The Bank mediates between depositors savers of money and borrowers (user of money).

**ii. Principle of Liquidity**

Banks involve in the simultaneous operations of accepting deposit which are repayable on demand (or on certain maturity period) and lending these funds to the borrowers in such a manner that the bank would be able to arrange for the funds demanded by depositors at any point of time. To meet this requirement or obligation, the bank must keep certain portion of its deposit liabilities in liquid form so as to be able to repay the same on demand of the depositors. This principle is reinforced by the regulatory authority of all countries as a compulsory requirement.

**iii. Principle of profitability:**

Banking business like any other business has to be profitable in order to sustain required growth. Interest income is the main source of profit for a bank. To obtain a profit, the interest earned by a bank on its lending operations should be higher than the interest paid by a bank on its deposit operations.

**iv. Principle of solvency:**

Solvency means long term financial soundness of a bank, achieved by adherence to prudent policies in lending, retention of some parts of profits for business growth,

implementation of professional management systems and following the mandatory rules and procedures in day to day operations. Bank's financial soundness is judged by analyzing its historical performances (capital adequacy, asset quality and performing assets).

**v. Principle of trust;**

The trust among all the stakeholders is the most necessary component for the success of any bank. Trustworthiness is a bank's good track record over a fairly long period of time, in terms of liquidity, profitability, financial soundness and its records of meeting its commitments to all the concerned parties. It also refers governance quality of the bank. For customer and the public, trust indicates dependence and safety as they perceive while lodging their deposits with a bank and it is reflected in the rate of growth of its deposits and profit on a sustained basis.

### **2.1.3 History of Banking in Nepal**

In the east, it is believed that banking was practiced at the time of "Manu" as it is referred in Manusmriti. There is an opinion that it was practiced during Chanakya's too, as banking has been mentioned in "Kautilya's Arthashastra" which is the first book in Economics.

In the West, history of Banking begins in ancient Greece, Rome and Mesopotamia. The Lombard, who was originally from the plains of Lombardy of Northern Italy, introduced banking practice to England. These Lombards brought this business to the city of London and their home, the Lombard Street, is still the center of British Banking. The Lombard after a century or so of business in London was eventually bankrupted because they lent money to kings who did not repay them.

Modern banks history begins from Bank of Venice established in 1157A.D, Bank of Barcelona established in 1401A.D, Bank of Genoa established in 1407A.D and Bank of England, which was established in 1694. From the initiation of banking business, today almost all the countries are running their separate Central Banks and thousands of commercial banks to serve the people through banking activities.

In the context of Nepal, it is assumed that the regular history of Coinage in Nepal began from the fifth century. In the year, 879/80 A.D, a low cast merchant, named "Sankhadar Shaukhwa" introduced the new era after paying all the debts that existed in the country. The advent of 12<sup>th</sup> century marked a new period in economic history in Nepal. Silver Coinage was introduced in this period, which widened the scope for trade. The second major logical order of development was found in the innovation of interest bearing private debt such as bonds mortgages and loans.

The term 'Tanka dhari', meaning moneylender was used at the end of 14<sup>th</sup> century. 'Tanka dhari ' was one of the 64 casts classified on the basis of occupation, indicating money changing was adopted as a profession by a sector of people in Nepal at that time. For many years, the indigenous individuals' wealthy agriculturalists, landlords, merchants, and traders conducted banking activities as a side business to their normal business activities.

In 1877 A.D, the then Prime minister Ranoddip Singh introduced many Financial and Economic reforms. 'Tejarath Adda' was established at that time with the basic purpose of providing credit facilities to general public at a very concessional interest rate. Tejarath Adda disbursed credit to the people on the basis of collateral of gold and silver. All the employees of government were also eligible for this type of loan, which was settled by reducing from their salary. Under the prime minister ship of Chandra Samsher, this Adda extended its services outside Kathmandu valley. Legal provision was made to prevent the practice of capitalization of interest on loan extended by private dealers. Hence, the establishment of Tejarath Adda provided the foundation of modern banking in Nepal. However, ' Kaushi Tosh Khana' established during the regime of King Prithibi Narayan Shah is also considered as the first step towards initializing banking development in Nepal. Tejarath Adda extended credit only, it did not accept deposit from the public which later on caused the financial crisis making it impossible to meet the credit need of the general peoples of the country.

Prior to the establishment of Nepal Bank Limited, peoples relied on borrowings from the corrupted money lenders, who charged very high interest rates and added other dues. These moneylenders extended loans on the collateral of land, house and precious metals like gold and silver. With the co- operation of Imperial Bank of



India, Nepal Bank Limited came into existence under the Nepal Bank Act 1937. Since there was not the existence of central bank, this bank played the dual role of commercial bank and central bank which was continued until the establishment of Nepal Rastra Bank on 26<sup>th</sup> April, 1956. NBL was a semi government bank. So, it was unwilling to go to many sectors where the government felt the need of providing banking services. Hence, Rastriya Banijya Bank, a fully government owned bank was established on 23<sup>rd</sup> January 1966.

Until 1984, the Nepalese financial sector was dominated by the above two commercial banks. Commercial banking Act- 1974 was amended in 1984 to increase competition among commercial banks. Hence provision was made to allow private sector including foreign investments to open commercial banks. As a result, Nepal Arab Bank Ltd. (Nabil Bank) was established on 12<sup>th</sup> July 1984, with the partnership of Dubai Bank Limited, Dubai. The numbers of commercial bank operating in the country are increasing everyday and many more are in the pipeline to commence their business.

Before 1985, only public enterprises such as two Development Banks: NIDC and ADB, and in the form of non banking financial institutions: Employee provident fund and National Insurance corporation were established. Eventually to increase the financial activities within the country, Finance Company Act- 1985 was introduced which promoted people to establish financial institution in the country. Today, there are 26 commercial banks, 74 development banks, 221 Finance companies and thousands of co operative organizations providing financial services in Nepal.

#### **2.1.4 Types of Banking**

**1-Branch Banking:-**It is a multi-office banking, generally defined as accepting deposits or making loans at facilities away from a bank's home office. Branch banking has gone through significant changes since early 1990s as banks respond to a more competitive nationwide.

**II-Unit Banking:**-Unit Banking refers to the system where the operations of the banks are confined generally to a single office the theory behind this banking is that each bank should be a local institution, locally financed and managed, growing funds from depositions and using resources to develop local enterprises .USA is a typical country which follows the unit banking system.

**III-Group Banking:** The form of holding company in which a management group has control of several exiting banks .Each bank in the group has its own BOD, but the holding company co-ordinates the activities of all banks in a group.

**IV. Mixed Banking:**-Undertaking both commercial and industrial banking activities is mixed banking. Its Feature is to attract deposits and raise capital and loans from the public and make them available to investors for both short and long Periods.

**V. Chain banking:** chain banking means the control of three or more independently chartered banks by a few individuals, usually through stock ownership or interlocking directorate's .chain banking differs from branch banking or multi office banking within a single institution and group banking by affiliate banks within a bank holding company. Its importance in the banking system has declined since the late 1980s.

**VI. Retail banking:** retail banking refers to the dealing of commercial banks with individual costumers, both on liabilities and assets side of the customers. Since this research is concentrated on retail banking. It will be discussed in the later chapters too.

**VII. Wholesale banking:** wholesale banking covers banks lending to larger entities such as corporate and government besides activities for examples, money markets, foreign and finance for trade.

**VIII. Relationship banking:** Relationship banking is an attempt to advance the sales culture in bank marketing beyond order taking to a more proactive form of direct selling .instead of selling financial services one at a time, an account officer attempts to gain an understanding of the consumer's needs and offer services that fulfill those needs. Commercial banks and other financial institutions have attempted to apply the

concept of relationship banking through personal banker and private banking programmers.

Except these types of Banking, other ways of banking like correspondent banking, social banking, virtual banking, rural banking etc. are also in practice in the recent days.

## **2.1.5 Bank Lending: Policies and Procedures**

### **2.1.5.1 Loans**

Loan is the sum lent to others for certain time period with the agreement to charge interest on principal. The interest is charged certain percentage on principal. When the money belonging to one is advanced to another to be used for certain time period, it is called loan. The basic objective of loan advancement is to earn interest as the reward for lending the sum for specific period

Commercial banks are the organized institutions providing loan for the needed. Loan advancement accounts for more than half of the bank's total assets and about two third of their revenues. More risk on banking tends to be concentrated in the loan portfolio. When a bank gets into serious financial trouble, its problems usually spring from loans. Generally loan problems emerge from the following reasons:

- Loans have become uncollectible due to mismanagement.
- Illegal manipulation of loans.
- Misguided lending policies
- Unexpected economic downturn.

### **2.1.5.2 Types of loan made by banks**

Loans are the major income sources for banks. Banks make a wide variety of loans to the wide variety of customers for many different purposes. For customers, the cause of loan purchasing may be investment in business, purchasing automobiles, taking dream vacations, pursuing college education, constructing home and office buildings etc. It is very harder to state exact classification of loans; however loans can be classified based on following two circumstances:

i. Classification based on the nature of loans

Loans differ according to their basic nature, however in all types of loans the interest will be charged only on the outstanding closing balance of the day. On the basis of its nature loan can be classified into following types:

- a. Overdraft loan: The loan in which a limit is assigned on the current account of the customer up to which the customer can overdraw his account.
- b. Clean advances: Clean advances are unsecured loans granted for a short period after taking into account the net liquid resources of the borrower.
- c. Demand loan: Demand loan is a working capital loan provided for not more than a year. It is a revolving type of loan, which once settled is reinstated by the settled amount.
- d. Term loan: Bankers lend some portion of their fund for fairly long period of time to industries and agriculture against the security of fixed assets.
- e. Bridge loans: Sometimes, when the lending institution fails to disburse the loan already sanctioned either for want of completion of documentation formalities or for want of resources, a commercial bank is requested to extend loans for a temporary period as a stop gap arrangements which is known as "Bridge loan"
- f. Participation loans or Consortium loans: When the borrower's demand of advance is somewhat larger and two or more banks agree to advance jointly in certain agreed proportion against the common security, it is called participation loans or consortium loan.
- g. Hire Purchase loan: In case of hire purchase loan, the article belongs to the owner (bank) and is given on hire to the customer. The borrower will pay the owner, the hired money agreed between them by installments normally on EMI i.e. equal monthly installment basis over a period of time.
- h. Time loan: Time loan is also a working capital loan, given for a period of less than one year and has a fixed maturity date.
- i. Trust receipt loans: Trust receipt loan is provided to importers against import LC established by the banks to make payment for the goods arrived through LC.
- j. Pre shipment and post shipment loans: These are the time loans provided to the exporters to manufacture goods for export and finally to export overseas against the security of an export LC.

- k. Mortgage loan: Loans extended against the strength of fixed assets (mortgaged properties) like land and building is known as mortgage loans.
- l. Bills purchase: When the proceeds of drafts or cheque drawn on some other banks are paid immediately, the instrument is said to be purchased. Bills purchase facility is given only to credit worthy customers.

#### Classification Based on Sector wise Loan Distribution

In many countries including USA, loans are classified into six types based on their Uniform Bank Performance Report (UBPR). These loans are as follows;

- a. Real Estate Loans: A domestic loan secured by real estate is considered as real estate loan. Generally real estate loans are classified into seven sub categories: construction and development loans, multifamily residential real estate, home equity, 1 to4 families residential, farmland and other real estate loans.
- b. Commercial or industrial loans: Commercial or industrial loans are extended to finance the business of the borrower. It can be for financing the working capital need, purchase of fixed assets and various other seasonal and miscellaneous requirements. The financing can be for short term or long term needs.
- c. Individual or Consumer loans: Consumer loans are extended to individual borrowers. The average size of consumer loan is relatively small. The maturities of such loans are one to four years. These loans are provided to finance durable goods in hire purchase like car, freeze, washing machine etc. of individual users. The individual borrower's default risk is high compared to commercial loans. Consumer loans are considered risky because the goods financed through consumer lending cannot be sold in the face value and neither there exists a secondary market for such goods.
- d. Agricultural loans: Agriculture loans are provided to finance the planting and harvesting of crops. Such loans are quite similar to commercial and industrial loans because loan is provided to finance the short term seasonal credit needs of the customers. The loan is utilized in purchase of seeds, pesticides, fertilizers, wages to farm workers and various other production costs. The loan is repaid when other crops are harvested and sold.
- e. Loans and Leases in Domestic offices: Lease financing is one of the most important single sources of funds to support business expenditures for capital investments. Lease financing means letting or renting a building, a piece of land,

or equipments for a fixed periods against which the lessee pays a lease rental fee for that period. The regular fixed rental fee is paid on monthly, quarterly, half yearly or yearly basis as per the agreement between lesser and lessee (Shrestha2007).

### **2.1.5.3 General principles of Lending (characteristics of sound lending policies):**

One of the most important and basic function of commercial banks is to provide credit. Out of their total income, on an average 60-70% income consists from lending activities. Such income based on lending is known as exposure based income because banks are exposed to default risk. In order to mitigate default risk, it would be wise to follow the principle of good lending. The widely used principles of sound lending policies are as follows:

#### **i. Safety:**

When lending is made, a banker must ensure that the advance made is safe. This means the money will definitely come back. It demands that loan should be granted only to the reliable borrowers. It must be ensure that the reputation of the borrower is impeccable in the business community. The integrity of the borrower must be undoubted, particularly when the security is inadequate to clear the advance. If the borrower is dishonest person, he might divert the borrowed fund to some other purpose other than initially projected to the bank. Hence, the banker must ensure that the advance made is not only in the safe hands but also remaining so, throughout the period of lending and is repaid with interest when it is due.

#### **ii. Liquidity:**

When a banker demands his money back, the borrower must be in a position to repay within a reasonable time period. This is possible if the borrower has invested in short term requirement and not on the purchase of Fixed assets. Banks often make tuning of their deposit with their lending such as long term deposit with short term lending. The major portion of bank's deposit are payable on demand or at short notice. Therefore bankers attach great important to liquidity.

#### **iii. Purpose:**

Bankers allow loans and advances to the customers only for productive purposes and not for hoarding or for speculative activities. If the client is involved in speculative activities, the banker must avoid such customers as he may drag the bank along with him, at the time downfalls. The funds should be utilized for increasing production turnover or for starting new business ventures only, which generates employment. The business of the borrower should be a legal one and in consonance with the government policies.

Normally banks do not entertain advances for marriages, personal expenses, and pleasure tours or for settlement of some old outstanding loans, as these are purposes of unproductive nature. However, Banks in Nepal have started to invest money for pleasure tours to service holders or who have small but regular nature.

#### **iv. Profitability:**

Profitability is a very important element, which influences the banking activities. Commercial banks are established like any other commercial institutions for the sake of making profit. Without profit, no one can expect banks to make payment of interest on deposits maintained by them. Banks incur large administrative expenses in the course of maintaining service efficiency and attractive premises. Default risk is always high in banking business as banks deal with loans and advances. Loan loss provisioning is maintained according to the classification of loans. Banks also have to make provisions for depreciation of fixed assets. Profit alone ensures all such expenses. However, bankers must not only look from the angle of profitability while appraising a credit proposal, other ancillary business may be lying ahead which can prove lucrative.

#### **v. Spread:**

Another equally important principle of lending is to spread the advances in various sectors, many firms and industries and against different securities. It would be appropriate to quote the saying "Do not put all your eggs in one basket". A successful banker is the person who can assess such risks and spreads the lending over a large number of borrowers, different industries and areas and against different types of securities. If lending is made only against one type of security and if that type of security depreciates steeply, he will run a great risk of losing the advance. If a single bank has many branches across the country, in some places

they might lend on sugarcane and in some other places they might lend against the stock of rice or jute. This way, when one type of security devaluates, the other might remain the same, which will keep the major portion of exposure safe.

**vi. Security**

A prudent banker will always endeavor to obtain maximum security available from the borrower. There should usually be sufficient margin to provide against fluctuation in value. The customer should be asked to provide everything available and acceptable to the bank so that he may not borrow against those securities from other sources. No compromise should be made in obtaining maximum securities from the clients. At the time of distress situation also, the securities must be sufficient enough to cover the bank loan. At all times, bank must be in a safe position to realize its lending.

**vii. National interest, suitability:**

Bankers must ascertain on which type of business the customer is involved. Weather the firm is acting responsibly towards the society that it is opening in like brick industry or cement industry and the precautions taken by it against environment pollution. Central banks issues directives, prohibiting banks to invest in various sectors such as the import of arms and ammunitions etc. Also bankers must remain vigilant of the law and order situation where the borrower carries its business.

## **2.2 Retail Banking**

Retail Banking refers to Banking in which banks undergo transactions directly with customers rather than with corporations or other Banks. Services offered include saving and checking accounts, personal loans, debit cards and credit cards etc.

Retail banking is becoming an increasingly complex concept to define. While "pure" retail banking is generally concerned with providing mass market banking services to private individuals. It has been expanded over the years to include many cases services provided to small and medium sized business. Some banks may also include their "private banking" business in their definition o retail banking.



Retail banking refers to offering financial services, products related to loans and consumer preferable services to individual customers for personal consumption. Retail banking includes comprehensive range of financial products including deposit products, residential mortgage loan. Credits cards, auto finance personal loan, consumer curable loans, loan against equity shares, loan for initial public offer (IPO) debit cards, bill payment services, mutual funds, investment advisory services, mobile banking, internet banking, debit cards, ATM, professional loans, private banking etc which provide an opportunity for banks to diversify the asset portfolio with high profitability and relatively low NPAs.

### **2.2.1 Present Status of Retail Banking in Nepal**

Nepalese banking industry has been suffering an intense competition because of entry of new banks and many financial institutions. This has led the banks to operate under thin interest spreads, declining margins and rising costs this was not the case until two years ago. Banks were enjoying a lot of business because of expansion in the economy. Although the country was suffering from home war the position of the commercial banks was not affected by it to a large extent. Banks are now trying to reduce their risks by diversifying their portfolio and having a thrust on short –term retail earnings rather than blocking funds in riskier medium and long-term loans. Some banks also developed consumers finance and housing finances product which were no the favored subject matter for them. They were keen to finance industrial and trading activities. However, with slowdown in the economic activities in the recent past, banks became selective in their lending operations as lending to industrial and trading activities as working capital and term loan requirements. Because of uncertainty in the economic environment many banks fail to attract rich middle class people & the people having fixed source of income & increase lending business, in the present competitive banking environment.

In Nepal Retail Banking has always been prevalent in various form over since banking was first established here. organized Bank that have been existing in Nepal for over a half century have always had retail trust .It is only since late 90s and early 2000s that the term "Retail banking" has been used as a means of re-enforcing a conscious foray into this particular Line of business .Retail banking today ,for many banks is synonymous with main stream banking ,with vast sums of money being invested in creating and sustaining a retail brand further supported by requisite

technological and staffing support. The major cases of shift towards retail banking by Nepali banks are:

- Fear of corporate defaults and NPA computation.
- Relative safety implied by mortgage loans.
- Low credit off take from commercial and corporate during the period 2000-2003.
- The internal political crisis and internal war between Maoists and government.
- Lowering in the cost of consumer durables, luxurious goods and auto mobiles since Last 7/8 years.
- Increasing uses of credit /debit cards as plastic money.
- Automation of stock exchange operations, dematerialization.
- Conversion Factors like Aims, direct debit and call a lump (phone Banking)
- Advisory services: real state, investments and insurance.

Differentiated products are an effective method of gaining competitive advantage.

Customer service is one of the most important dimensions of retail banking. Public sector banks compare very poorly with the private sector banks when it comes to the efficiency in services. In order to improve the speed of service the bank should improve the rapport between the controlling office and the branches to ensure that decisions are communicated fast so that processing is faster.

Retail banking was viewed primarily as a cost centre and source of low cost deposit. But, these days, retail banking represent a major source of competitive strength for the banking industry, as it is a point of direct customers contact. Retail banking industry, as it is a point of direct customers contact. Retail services are uniquely positioned to help banks develop strong long-term relationship with targeted customers and thus differentiate themselves from competitors. Banks look up to retail lending as a possible avenue to augment business in the current context. Consumer financing appears to be a viable alternative to cope poor credit off takes.

In retail banking one of the major problems faced by the banks is the queue problem. The size of queuing will differ from hour to hour and day to day. To overcome such an obstacle, banks must ensure that adequate staff is available to man all the branches.

The major problems faced by Nepalese bankers in providing retail banking services are as follows:

) Problems of managing large number of clients, since IT systems are not sufficiently robust.

) Rapid evolution of products which seem to lead IT complications.

) The costs of maintaining branch networks and handling large number of low value transactions that tends to be relatively high.

) Political instability is showing large impact on the national economy of financial institutions

) Rising liquidity problems in Banks and financial institutions.

In sum, Retail banking today is having a great presence on Nepalese banks. If the bankers will be able to come some of its drawbacks, there is no doubt that it will have a great impact in the future days too.

### **2.2.2 Advantages of Retail Banking**

The main advantages of retail banking franchise are as follows:

- Retail Banking clients are generally loyal and tend not to change from one bank to another very often.
- Interest spreads are wide since customers are too fragmented to bargain effectively.
- Credit risk tends to be well diversified and loan amounts are relatively small
- There is less volatility of demand and credit cycle then from large corporations
- A large number clients can facilitate marketing, mass selling and ability to categorize/ select clients using scoring system/ data mining

## **2.3 Review of Articles:**

Shrestha, (1998) in her article "*Lending Operation of Commercial Banks of Nepal and its impact on GDP*" has presented with the objectives to make an analysis of contribution of Commercial Banks, lending to the Gross Domestic Product (GDP) of Nepal in 1998. She has

set hypothesis that there has been positive impact of lending of commercial banks to the GDP. In research methodology, she has considered GDP as the dependent variable and various sectors of lending are agriculture, industrial, commercial services and general social sectors as independent variables. A multiple regression technique has been applied to analyze the contribution.

The multiple analyses have shown that the entire variable except service sector lending has positive impact on GDP. In conclusion, she has accepted the hypothesis i.e. there has been positive impact on GDP and there has been positive impact by the lending of commercial banks in various investments.

Mahat, (2009) in his article "*shifting focus on Retail banking* " has explained clearly that the retail banking industry profile covers the two core retail banking markets, mortgage and personal loans. With slowdown of economic activities in the recent past, banks become selective in their lending operations as lending to industrial and trading activities as working capital and term loan requirement. Because of the uncertainty of economic development, Banks diverted their resources to a new area called retail lending. Retail banking refers to the mobilization of deposits by the banks mainly from individual and lending to small business in retail loan market. Retail banking consists of large volume of low value transactions. Banks are now trying to reduce the risks by diversifying their portfolio and having a trust on short term retail earnings rather than blocking funds in riskier mediums and long term loans. In the present competitive banking environment, differentiated products are an effective method of gaining competitive advantage. Consumer service is one of the most important dimensions of retail banking. While information technology has contributed to major upheaval in wholesale banking, its impact on retail banking has been relatively limited. But these days retail banking represents a major source of competitive strength for banking industry.

Singh (2009), in his article "*RETAIL BANKING: A Flourishing Market*" has clearly mentioned retail banking from its origin to the present day situation.

He states that every person who earns some income has a tendency to save some part of it to meet future contingencies and to uplift the standard of living. As the person moves up the social ladder, his demands for financial needs also increases and becomes sophisticated. This creates the wide prospect to enhance and widen the consumer banking market. In his article Mr. Singh is considering every possible aspects of retail banking along with its pros and cons. He also depicts the phenomenon that Retail banking business is the highly profitable part of

banking, but it was neglected for a long time because of its high operating cost and lack of marketing glamour compared to other banking products. Gradual deregulation in interest rates, Product innovation and development, delicensing of opening branches, entry of private and joint venture banks and so on has given much impetus to retail banking. Here, he thinks the increasing trend of middle class people has thrown up bright prospects for retail banking.

Sharma, (2010), in his recent research entitled "*Approaches of Microfinance\_ An Expert opinion*" attempts to collect the responses and opinions of micro finance experts and practitioners regarding approach of microfinance, contribution of MFIs., and outreach of the cost of MFIs are presented with the analysis of institutional viability and sustainability view. He observed that inadequate coverage of the program, less focus to supportive programs, higher cost of services and no proper linkages of the program to reduce poverty, defused focus/weak regulatory framework, no clear vision to address poverty no clear evaluation indicators, weak institutional foundation in designing the financial products, and weak security situation in rural areas as the major problems of the study. To overcome such problem, Sharma recommended introducing the new and modified approach of microfinance to the developing countries like Nepal by mixing up the two very wide and general approaches i.e. self sufficiency and subsidized welfare approach. At the mean time the involvement of social cost, MFIs should help grant or subsidy in the initial period time without feeling of subsidy culture either on client's basis or on time basis to serve the poor. Within this time, MFIs have to promote at self sufficiency stage gradually.

Hervert V. Prochnow and Hervert V. Prochnow Jr. entitled "*The changing world of Banking*" have explained that as population growth and rise in income level, there is greater demand for financial services. The banking community cognizant of these increased needs expands its services. Commercial banks serve the financial needs of individuals in the variety of different ways. Banks provide number of saving plans to allow individuals to earn interest on idle funds and safe deposit facilities.

Commercial banks also make home ownership possible for individuals through mortgage loans and allow them to achieve a desired pattern of consumer spending through the use of wide variety of consumer loan and bank credit. The greatest growth of retail banking in United States has occurred in the period since WORLD WAR II. Retail banking will be of increasing importance to United State commercial banks in the year ahead. As personal

income increase in other countries, the demand for retail banking services will also increase. Overall retail banking is one of the fastest growing and most rapidly changing sectors of modern commercial banking. [Herbert V. Porchnow & Hervert V. Porchnow Jr. (1995), 'The changing world of Banking', Harper Raw Publication Pvt. Ltd.]

While a few banks specialize in wholesale banking or in retail banking, there is no longer a complete wholesale or retail bank in Nepal. Most of the banks combine retail and wholesale banking activities. Some of the banks have a separate division or unit dealing corporate customers. The skill and knowledge required in carrying out the wholesale and retail banking business are different. However there are some common critical success factors such as customer orientation, investment in technology etc. In the competitive environment the banks need to reorient and equip themselves with modern techniques of banking to face the increasing competition.

## **2.4 Review of Previous Research**

There is very few research works entitled on exactly in the same topic "*retail banking practices in Nepal*". Many researchers in the master's level thesis are trying to analyze different aspects of commercial banks like liquidity position, interest rates and its impacts, bank lending policies, investment policies, fund management and many more. However, it is tried to present the extracts of available related research works by Nepalese researchers as follows:

Shrestha (2007) in his research entitled "*An emerging trend of Banking Products and Services in Nepal*" has explained major retail banking products and services. He states that Retail Banking covers wide area and large no of customers. He finds essential to cover the large geographical areas because retail banking has maximum numbers of products and services which provide different results to different locations. The major objectives and findings of his thesis are as follows:

### **Objectives:**

- To find and analyze the trends of banking products and services specially retail banking products and services in Nepal
- To analyze, evaluate and compare the retail banking products and services offered by Kumari Bank Limited and Everest Bank Limited

- To analyze the contribution of retail banking products to total volume of the company.

**Findings:**

- The study indicates that retail banking plays significant role in the economy. Retail banking includes home loan, vehicle loan, deposit, mobile banking and others.
- This study depicts that retail banking covers large no. of customers.
- Retail banking has shifted the scenario from credit rationing to credit marketing.
- Housing segment in the retail banking is the most important segment which covers more than 3% in average to total banking activities.
- Auto loan and education sector is the flourishing sector in the retail banking so as professional loan and flexi loan which contributes almost 9.28 and 7.50 percent in retail banking on an average.

Newa (2007), in her research entitled “*An Analysis of consumer loan market*” has explained that marketing department of each bank is playing a pivotal role in analyzing the market trend and customer's needs and desires. The major objectives and finding of her research are as follows:

**Objectives:**

- ) To analyze the functions of marketing department of the banks.
- ) To identify the impact of loan marketing in consumers’ needs and demands.
- ) To find out the effectiveness of consumer loan in Nepalese Banking practice.

**Findings:**

- ) Consumer loan market in Nepal is flourishing day by day with the higher pace.
- ) Out of total population, only 14% of the consumers are enjoying banking facilities.
- ) Most of the banks are neglecting the depositors of loans and advances

The research is designed on the good manner that I agree with her findings and suggestions. However she has used only two year's data for analyzing the trend of consumer loan and most importantly she is limited only in the lending section of the banks. I hope my research will be of another pace towards retail banking in Nepal.

Basnet (2008), in his thesis entitled "*Credit management of Rastriya Banijya Bank*" has tried to analyse the credit department of Rastriya Banijya Bank. The major objectives and findings of his thesis were as follows:

**Objectives:**

- ) To analyze the performance of Rastriya Banijya bank.
- ) To analyze the credit and advances period by the banks.
- ) To analyze the recovery status of the credit disbursed.
- ) To find out the strength and weakness in credit administration of the bank.
- ) To give suitable recommendation and suggestions for improvement of present performance conditions and solutions of different problems

**Findings:**

- ) During the study period, the bank registered a significant increase in deposits, loans and advances and profitability.
- ) Net profit of the banks over the study period was observed in decreasing trends.
- ) The average interest income to loan and advances of the banks is 0.109, seeing the scenario of the commercial bank; it is satisfactory level of income.
- ) The volume of nonperforming loans is continuously increased over the period.

Khatriwada (2008), in his research entitled "*Retail Banking\_ An Emerging Trend in India*" has summarized that there is no doubt that the market for retail banking will grow steadily in a rapid pace in developing countries like India where the income level of the middle class family is continuously increasing, per capita income is increasing and price level is static. The major objectives and findings of Mr. Khatriwada were:

**Objectives:**

- ) To find out the recent scenario of retail banking in India in the current days.
- ) To analyse the impact of Indian banking practices to other south Asian countries specially Nepal.
- ) To analyze the contribution of Indian middle class family to the banking as a whole.
- ) To find out the major retail banking players in India

**Findings:**

- ) Retail banking is emerging as the key part of overall banking in India.



) Since there is increasing number of middle class families day by day, retail banking in India is assumed to grow by almost 30% in the next 5 years.

) Reserve bank of India has given continuity to trust retail banking by making the provision that at least 15% of the total loan and advances must be maintained in the consumer loan segment.

) There is a greater impact of banking practices in India to other south Asian countries.

Basnet (2009), in his thesis "*An emerging trend of retail banking in Nepal*" has clearly stated the present position in Nepalese retail banking market. The major objectives and findings of his study were as follows:

### **Objectives**

) To study the existing situation of retail banking in Nepal.

) To analyze the retail banking trend with the SWOT analysis of sample banks.

) To provide the suggestions and recommendations to the concern parties.

### **Findings**

) There is increasing trend in retail banking sector in Nepal although tedious and lengthy legal procedures are barriers to retail banking practice in Nepal.

) The amount of home loan, Auto loan and personal loan granted by the sample banks is in most increasing trend.

) Due to political instability, the government owned banks are not being able to do well in retail banking in Nepal. But the commercial banks are performing very well in terms of retail banking.

There are many other related theses written by different researchers which come beyond my study. It is due to time constraint. After reviewing the available researches and dissertations, I ' m really fascinated that these studies have helped me a lot to boost up my level of understanding of major phenomenon in the subject matter.

## **2.5 Research Gap**

Retail banking is one of the new topic to the Nepalese researchers. It is very harder to find out the systemic and meaningful research under this topic. Since last few years, some of the Nepalese banks have started Retail banking practice in their organizations. However, they

lack efficient research. Some of the open researchers along with the students have tried a lot to state more about this topic; however these also are not a complete research. Most of these researches seem to have sampling bias. Not only this, I found many contradictions between the objectives and the findings in many research.

In the present days, most of the commercial banks are adopting retail banking practices in different names such as consumer banking, personal banking etc. For making their banking practices effectively, some of the banks are maintaining their separate retail banking department and are conducting different kinds of research under this department. However, these researches only are not only sufficient. These researches are not covering the wider aspects of retail banking. Researchers could not find any systematic study of retail banking on the pure Nepalese context which is taken as the main research gap. The current study is the supplement to overcome the weakness and limitations of previous studies too. All the Bankers and businessman can find very important result from the current study so that they can develop and follow the new strategies in the future days.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

Research methodology is simply the way to systematically solve the research problem. Research methodology describes the method and process applied in the entire aspect of the study. It may be understood as a science of studying how research is done

scientifically. It includes the various steps that are adopted by the researcher to solve the problem along with the logic behind them. Where we study the various stapes that are generally adopted by researcher in studying his/ her research problem along with the logic behind them (Kothari, 1984:10) hence, research methodology differs from problems to his /her methodology to his /her problem.

### **3.1 Research Design**

Research design is essential because it facilitates the smooth sailing of the various research operations. The research design is the plan structure and strategy for investigation of the facts in order to arrive at conclusion. Research design is a plan to obtain the answer of the research question through presentation and analysis of data. It is the blue print of the study. In this research descriptive and analytical search method will be adopted.

### **3.2 Population and Samples**

Population consists of large group. Samples are the small fractions designed from this large group. It is difficult to collect data from each individual within the population.

The large group about which the generalization is made is called the population under study, and small portion on which the study is made is called the sample of the study.

For this study, population consists of all those banks that provide retail banking products and services. Due to constraints, all the banks operating within the country could not be incorporated in this study. So the sampling method is being adopted. The ideal sampling represents the whole universe accurately. For selecting the samples, three consumer friendly banks among 27 listed commercial banks are selected. They are as follows.

- Nabil bank limited
- Himalayan bank limited
- Siddhartha bank limited

**1. Nabil Bank Limited:** Nabil Bank is the first joint venture bank established in partnership with Dubai Bank Ltd. of UAE established in 12-07-1984. In the present day Nabil Bank is one of the leading bank in all kinds of banking practices with higher market

share. This bank also is operating with highest number of branches among all the privately owned commercial Banks.

**2. Himalayan Bank Limited:** Himalayan Bank Ltd. is also another leading bank with much diversified and innovative Banking products around the country. Like Nabil bank, it is also the joint venture bank with collaboration of Habib Bank of Pakistan. This bank was established on 18-01-1993. The Bank is coming as the fastest growing bank with growing customer base in the Nepalese market.

**3. Siddhartha Bank Limited:** Siddhartha Bank is the newest Bank among the Sample bank. This Bank is emerging as the fastest growing bank in the recent days with double transaction volume in last few years. This Bank was established on 21-09-2001 but operated from 24-12-2002. Now days this bank is concentrating on increasing the market share with opening of new branches

### **3.3 Sources of Data**

The research will utilize mainly the secondary data. However in some of the major topics primary data will be used. Primary data will be collected through questioners and direct interview with concerned authorities of the bank. Following are the major sources of data are:

- a. Banks websites and other relative websites.
- b. Questionnaire to bank official, depositors, and academicians
- c. Annual reports broacher etc. of the selected banks.
- d. Text books, articles published in newspapers, journals magazines etc.

Secondary data play the important role in conducting a research study. Secondary data relevant to the study will be collected through different published /unpublished reports, books journals, brochures, offices and data banks and through use of internet also.

### **3.4 Data Collection Techniques**

Different tools and techniques can be used throughout a research work in order to make the study more reliable and authentic. For this study, primary data has been obtained through questionnaire, direct interviews, field visits and telephone inquiries. For secondary data annual reports, brochures etc has been collected from different department of concerned banks and as well as websites were also used for down loading the necessary information.

### **3.5 Data Processing and Presentation**

Most of the data collected are not exactly in the same form that this study requires. That's why the data has been processed or changed from its original shape and size where ever necessary. The data has been used throughout the study and these data are presented in table, diagram and chart with supporting interpretation, models to find out the present objective of the study.

### **3.6 Data Analysis Tools**

There are various tools and techniques for Analysis and presentation of the data which are the core of each and every research work. In order to get concrete result from this research data are analyzed by using different types of description and analytical tools.

There are various mathematical & statistical tools which are applied appropriately for this research. The relationship between two or more variables can be measured by using statistical tools. In this study, the following statistical tools are used although there are plenty of options for statistical analysis.

#### **3.6.1 Statistical Tools**

##### **Co-relation coefficient**

Correlation may be defined as the degree of linear relationship existing between two or more variables. These variables are said to be correlated when the change in the value of one results change in another variable. Correlation is of three types. They are simple, partial and multiple correlations may be positive, negative or zero. It can be classified as linear or non linear Here we study simple correlation only. In simple correlation the effect of other is not excluded rather these are taken as constant considering them to have no serious effect on the dependent variable. It is calculated as:

$$r_{xy} = \frac{n\sum xy - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}}$$

Where,

$r_{xy}$  = correlation between x and y

$n\sum xy$  = product of no. Of observation and sum of product of x and y

$(\sum x)(\sum y)$  = product of sum of x and y

Correlation always lies between +1 and -1.

If  $r=+1$  there is positive perfect correlation between two variables.

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

If  $r = 0$  the variables are uncorrelated.

When  $r$  lies between 0.7\_0.999 (0.7 -0.999), there is high degree of positive (or negative) correlation.

When  $r$  lies between 0.5 to 0.699, there is moderate degree of correlation.

### **Coefficient of Determination**

It explains the variation percent derived in dependent variables due to the any is specified variable: it denotes the fact that the independent variable is good predictor of the behaviour of the dependent variable .it is square of correlation coefficient. A high value of coefficient of determination shows a good listed relationship between the two variables of the value of coefficient of correlation. If  $r=0.9$ , then coefficient of determination,  $r^2=0.81$  i.e. 81%. Which means that 81% of the total variation in the value of the dependent variable has been explained by the change in the value of independent variable. We use this tool in order to present the result of correlation analysis.

### **Problem Error (P.E.) OF Correlation Coefficient:**

The problem error helps to interpret the value of correlation coefficient. In other words it is the measure of testing the reliability of calculated value of  $r$ . If  $r$  be the calculated value of  $n$  pair of observation from sample of  $n$  pair of observation, P.E. is denoted by:

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

If  $r > P.E$ , it is not significant. It indicates there is no evidence of correlation

If  $r < 6$ , the correlation coefficient is certain. It is significant.

### Trend Analysis

In this method, we fit a trend line using time series data. This trend line could be linear or nonlinear (quadratic trend, exponential trend)

In simple terms, we fit an equation of the form  $y = a + bx$  using the method of least square. In this equation  $y$  is the dependent variable and  $x$  is independent variable. In other words forecast values of  $y$  will be shaped by past pattern only.

$$\text{Where, } a = \frac{\phi Y}{N}$$

$$b = \frac{\phi XY}{\phi X^2}$$

Here,  $y$  = dependent variable

$x$  = deviation from some convenient time period

$b$  = slope of trend line or annual rate of growth

$a$  =  $y$ - intercept

### Variables

A variable is a symbol to which numerals or values are assigned. These are the characteristics whose value keeps on changing or does not remain static. In other words, a variable can take on many values (pant & wolff.2005; 130) interest rate, inflation, per capita GDP, investment amount etc are variables under study.

### Dependent Variable

A variable is called dependent variable if its values depend upon the other variables. Here our purpose is to study, analyze and predict the variability in the dependent variable so that the research becomes realistic and reliable.

### **Independent Variable**

A variable is called an independent variable if there is no effect of any other variable under study. Any change in the independent variable either positive or negative, leads to change in the dependent variable thus. The independent variables are those, which are used as the basis of production and the dependent variables is the variable that is been predicted.

### **3.6.2 Primary Data Analysis Tools**

In this research work data generated through questionnaire and personal interview of commercial bank's managers, officers, academicians and customers are analyzed using by ranking & descriptive method and are presented in table wherever necessary.

This study is based upon limited banks. Considering the time constraint the findings should not be generalized. The study is mainly focused on banks which have most customer friendly retail banking player in Nepal. Since data of the study is of non-experimental type, changes of observation errors may take place. Similarly primary data are based on survey of personal interview and questionnaire; there can be selective bias because of non response error. So this study is just to fulfill the partial requirement of MBS of Tribhuvan University.



## **CHAPTER IV**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.1 Introduction**

Data Presentation and analysis plays crucial role in the research task. So it is an important stage of the research study. The main purpose of analyzing the data is to change it from an unprocessed form in a generalized presentation. The analysis of data consists of organizing data by tabulating and then placing the data in presentable form by using figures and tables. The analysis of data consists of organizing, tabulating, performing statistical analysis and drawing inferences. The main purpose of such analysis is to obtain answer to the research questions or to test the hypothesis. On the other hand, the presentation of data is the basic organization and classification of the data for analysis.

In this chapter, the available data are presented to an evaluation for Retail Banking. For the accomplishment of the objectives, the defined course of research methodology

has been followed and effort has been made to analyze the current trend of retail banking in Nepal.

## 4.2 Position of Home loan

The major focus of retail banking is Home loan among all other segments when retail banking becomes a priority. Housing is one of the most important needs of any human being. Stressing on the crucial role and opportunities in housing loans, most of the banks first priority is home loan. Due to different reason like changing culture, government support, urbanization etc, home loan is leading in the retail banking industry.

**Table 4.1**  
**Home loan: position, contribution and average growth**

		062/63	063/64	064/65	065/66	Average Growth
HBL	Loan amount (Rs. In million)	2027.79	3089.59	4197.36	4915.06	35%
	Contribution in loan and advance	14.09%	17.21%	20.80%	19.26%	
Nabil	Loan amount (Rs. In million)	1222.47	2782.69	4534.67	6562.97	79%
	Contribution in Loan & advance	9.46%	17.9%	20.84%	23.44%	
SBL	Loan amount (Rs. In million)	151.69	299.33	528.95	1024.16	89%
	Contribution in loan and advance	5.9%	7.9%	8.5%	10.97%	

(Source: Annual report and internal sources, Appendix: I, II & III)

Table 4.1 depicts that the HBL lead the Housing Finance by providing loan amounting Rs. 2027.79 million in 062/63, where as Nabil followed the HBL's path by disbursing loan amounting Rs. 1222.47 million and SBL amounted Rs. 151.69 million. But in the later years i.e. from 2064/65 Nabil bank leads the home loan segment by providing 4534.47 millions in Housing.

Housing finance is the mostly contributed segment is the retail banking it can be proved by the data regarding percent of housing loan disbursement to loan and advance of HBL's 19.26, Nabil Bank's 23.44% and SBL's 10.97% in 2065/66.

**Figure 4.1**  
**Home loan Disbursement by Banks**

In fiscal Year 062/63, HBL led the Housing finance by disbursing housing loan Rs.2027.79 million which is 14.09% of total loan and advance.

The figure 4.1 depicts that HBL maintained its leadership in housing finance in 062/63 and 063/64 also it has disbursed Rs. 2027.79 million and 3089 million. In this two year housing finance has made significant contribution in total loan and advance of 14.09% and 17.21% respectively. But in the year 064/65 and 065/66, Nabil bank

lead the segment by providing 4534.67 million and 6562.97 millions of housing loans respectively.

**Figure 4.2**

**Home loan- Contribution in Loan and Advance**

HBL and NBL were able to grab the Nepalese consumer for housing segment by providing housing loan Rs. 4197.36 million and 4534.67 million in 064/65. HBL disbursed the housing loan by contributing 20.80% in loan and advance in the fiscal year 064/65. At the side of SBL, the data reveals that it has granted housing loan of Rs. 1024.16 million and becomes the follower of Nabil and HBL. In Loan and Advance it holds 8.5% in the same year.

**Figure 4.3**

**Average Growth Rate in Home Loan**

In the home loan segment, SBL Bank has shown best performance having higher average growth rate of Rs. 89.00 percent and followed by NBL with 79.00% and HBL with 35.00% respectively.

### 4.3 Position of Auto Loan

Nepal is the growing market for automobiles. Various kinds of Automobiles are being launched in the Nepalese market. There are so many world class vehicles showroom. Nepalese consumer has diverted their preference to own vehicle. That helped to boost in vehicle loan. The following analysis shows the recent position of Auto Loan in Nepal.

**Table 4.2**  
**Auto Loan: Position Contribution and Average Growth**

Year		062/63	063/64	062/63	063/64	Avg. Growth
Bank						
<b>HBL</b>	Total Loan (in million)	126.65	220.81	548.88	448.20	80%
	Contribution on Tot. loan	0.88%	1.23%	2.72%	2.54%	
<b>Nabil</b>	Total Loan (in million)	427.74	761.74	1270.75	1604.34	57%
	Contribution on Tot. loan	3.31%	4.90%	5.84%	5.73%	
<b>SBL</b>	Total Loan (in million)	97.95	186.42	399.52	487.34	61%
	Contribution on Tot. loan	3.81%	4.92%	6.42%	7.32%	

(Sources: Annual report and internal sources, Appendix; IV, V, VI)

Table 4.2 depicts that in fiscal year 062/63 Nabil Bank has disbursed the Auto loan of Rs. 427.74 million by contributing 3.31 percent to total loan and advance. Whereas HBL's loan Auto was Rs. 126.65 million having contribution of 0.88 percent to loan and advance. SBL followed these two banks by providing Auto Loan to Nepalese consumer of Rs. 97.95 million being contributed by 3.81 percent in its total loan and advances.

**Figure 4.4**  
**Auto Loan Disbursement by Banks**

Figure 4.4 shows that Nabil bank is consistent in leading Auto loan segment throughout the research period in terms of loan disbursement i.e. 1604.34 million in 2065/66 which comes 5.73% of total loan and advance. The bank is followed by HBL & SBL respectively through the period.

**Figure 4.5**  
**Auto Loan – Contribution in Loan & Advance**

SBL and NBL were able to grab the Nepalese consumer in Auto loan segment by providing Auto loan 6.42&5.84 percent in loan and advance in the fiscal year 064/65. HBL seems to grant lower amount of Auto loan throughout the period by granting 0.88%in 062/63, 1.23% in 063/64, 2.72% in 064/65 and 2.54% in 065/66 in loan and advance, where NBL holds 5.73% in the same year.

**Figure 4.6**  
**Average Growth rate in Auto Loan**

In Auto loan disbursement Siddhartha bank is the leader followed by NBL and HBL. At the side of average growth rate, the data reveals that SBL has highest average growth of 61 percent and followed by Nabil and HBL.

#### 4.4 Position of Personal Loan

All the consumer Banking products other than Home loan and Auto Loan are taken under Personal loan. This type of lone has been dramatically increasing in the recent days with globalization and liberalization, fast manufacturing consumer goods, educational institution, and consumer durable product opened up to the international players. As the increase in consumer durable production and education, Nepalese consumer's preference to these segments also increased. They begun to utilized these services by even taking personal loan from banks.

**Table 4.3**  
**Personal Loan: Position Contribution and Average Growth**

Year		062/63	063/64	062/63	063/64	Average Growth
Bank						
HBL	Loan amount (Rs. In million)	834.72	1351.81	1933.21	2158.95	39%
	Contribution in loan and advance	5.81%	7.53%	9.58%	8.46%	
Nabil	Loan amount (Rs. In million)	175.75	278.27	422.13	582.38	49%
	Contribution in Loan & advance	1.36%	1.79%	1.94%	2.08%	
SBL	Loan amount (Rs. In million)	109.78	223.17	387.07	421.05	61%
	Contribution in loan and advance	4.27%	5.89%	6.22%	4.51%	

*(Sources: Annual report and internal sources, Appendix; VII, VIII, IX)*

Table 4.3 depicts that in fiscal year 062/63. SBL has disbursed the personal loan of Rs. 82 million by contributing 2.25 percent to total loan and advance. Whereas HBL's Loan to personal was Rs. 70.16 million having contribution of 1.15percent to loan and advance. Nabil bank followed these two banks by providing personal loan to Nepalese consumer of Rs. 47 million being contributed by 0.57 percentages.



**Figure 4.7**  
**Personal Loan disbursement by Banks**

The above table depicts that, HBL consistently leads the personal loan segment of the retail banking segment throughout the research period by disbursing personal loan of Rs. 2158.95 million in 2065/066 which is 8.46 percent of total loan and advance. This figure also depicts that NBL and SBL are consistently following the path of HBL.

**Figure 4.8**  
**Personal Loan – Contribution in Loan and Advance**

HBL and SBL were able to grab the Nepalese consumer for personal loan segment by providing personal loan at 5.81% and 4.27% respectively in 2062/63. Where, NBL disbursed the personal loan by contributing 1.36 percent in loan and advance in the fiscal year 062/63. The pattern is similar in the last year of the research study.

**Figure 4.9**

**Average Growth rate in personal loan**

In personal loan segment, SBL has shown best performance having highest average growth rate of 61 percent and followed by Nabil and HBL.

**4.5 Relationship between Retail Banking Products and Total Loan & Advance**

One of the main objectives of this study is to know the relationship between loan on retail banking segments and Total Loan and Advance. In other words, the major motive is to explore to chunk of home loan, Auto loan and personal loan out of total loan and advance. Since in past few years, financial institutions are not getting

appropriate avenue for investment. So they are forced to search new sectors for investment and ultimately inter into retail banking. This scenario has diverted the most of the investable fund of bank to retail sectors. To some extent such finance is good, but large finance on such sector is not good for country's economy because they are non productive sector. They do not give any contribution to the growth of economy. So by this analysis it is tried to know the relationship of retail banking to total loan and advance.

#### **4.5.1 Analysis of correlation coefficient Between Home Loan and Total loan & advance for HBL, Nabil and SBL**

The coefficient of correlation between Home loan relationship between and advance is to measure the degree of relationship between two variables. The following table no. 4.4 describes the relationship between home loan and total loan and advances of HBL, Nabil and SBL with comparative under four years study period. In the following case, home loan its independent variable (x) and total loan and advances is dependent variables (y).

**Table 4.4**  
**Correlation Coefficient between Home loan and Total & Advance**

<b>Banks</b>	<b>Base of Evaluation</b>		
	<b>R</b>	<b>R<sup>2</sup></b>	<b>P.E.</b>
HBL	0.968	0.937	0.0021
NABIL	0.994	0.989	0.0037
SBL	0.993	0.986	0.0047

*(Sources: Appendix X, XI, XII)*

Table 4.4 depicts that there is high degree of positive correlation coefficient between the home loan with total loan and advance throughout the period. It indicates that higher loan and advance higher the home loan. So, to boost the home loan the banks must increase its total loan and advance. The correlation coefficient between home loan and total loan and advances value of HBL, Nabil and SBL are 0.968, 0.994 and 0.993 respectively.

The value of coefficient of determination ( $R^2$  of HBL is 0.937, which means 93.7 percent of total loan and advances decision is depend upon home loan and only 6.3 percent loan and advances depend upon other variables. The value of  $R^2$  of Nabil bank is 0.989 which means that 98.9 percent of loan and advances decision depends upon home loan and only 1.1 percent loan and advance depend upon other variables. Similarly, the value of  $R^2$  of SBL is 0.986, which means 98.6 percent of loan and advances decision is depend upon home loan and only 1.4 percent loan and advances depend upon other variables.

#### **4.5.2 Analysis of correlation coefficient Between Auto loan and Total loan & advance for HBL, NBIL and SBL**

The correlation coefficient between auto loan and total loan and advance is to measure the degree of relationship between two variables. The following table no. 4.5 describes the relationship between Auto loan and total loan and advance of HBL, Nabil and SBL with comparative under four years study period. In the following case, Auto loan is independent variable (x) and total loan and advance is dependent variable (y).

**Table 4.5**

#### **Correlation Coefficient between Auto Loan and Total loan and Advance**

<b>Banks</b>	<b>Base of Evaluation</b>		
	<b>R</b>	<b>R<sup>2</sup></b>	<b>P.E.</b>
HBL	0.915	0.838	0.055
Nabil	0.988	0.976	0.012
SBL	0.996	0.993	0.004

*(Sources: Appendix XIII, XIV, XV)*

Table 4.5 depicts that the correlation coefficient between Auto loan and Total loan and advances value of HBL, Nabil and SBL and 0.915, 0.988 and 0.996 respectively. This shows the high degree of positive condition coefficient between Auto loan and total loan and advance. It indicates that the higher loan and advance higher the Auto loan. So, to boost the Auto loan the banks must increase the loan and advance.

The value of  $R^2$  of HBL is 0.838 which means 83.8 percent of total loan and advances decision is depend upon Auto loan and only 16.2 percent loan and advance depend upon other variables. The values of  $R^2$  of Nabil Bank and SBL 0.976 which means that 97.6 percent of loan and advances decision is depend upon Auto loan and only 2.4 percent loan and advances depend upon other variables.

#### 4.5.3 Analysis of Correlation Coefficient between Personal Loan and Total Loan & Advance for HBL, Nabil and SBL

The correlation coefficient between personal loan and total loan and advance is to measure the degree of relationship between two variables. The following table no. 4.6 describes the relationship between personal loan and total loan and advance of HBL, Nabil and SBL with comparative under Four years study period.

**Table 4.6**

**Correlation Coefficient between Personal Loan and Total Loan & Advance**

Banks	Base of Evaluation		
	R	R <sup>2</sup>	P.E.
HBL	0.947	0.896	0.052
Nabil	0.997	0.994	0.0031
SBL	0.933	0.870	0.065

*(Sources: Appendix: XVI, XVII, And XVIII)*

Table no. 4.6 depicts that the correlation coefficient between personal loan and total loan and advances value of HBL, Nabil and SBL are 0.947, 0.997 and 0.933 respectively. This shows the high degree of positive correlation coefficient between personal loan and total loan and advance. It indicates that the higher loan and advance higher the personal loan. So, to boost the personal loan the banks must increase the loan and advance.

The value of  $R^2$  of HBL is 0.896 which means 89.60 percent of total loan and advances. Decision is depend upon personal loan and only 10.4 percent loan and

advance depend upon other variables. The value of  $R^2$  of Nabil bank is 0.994 which means that 99.4 percent of loan and advances decision is depend upon personal loan and only 0.6 percent loan and advances depend upon other variables.

## 4.6 Trend Analysis

The term "trend analysis" refers to the concept of collecting information and attempting to spot a pattern, or trend, in the information. In some fields of study, the term "trend analysis" has more formally-defined meanings.

To find out the future scenario of home loan, Auto loan and personal loan for sample banks, trend analysis has been done. This statistical test describes the trend of any variables with passage of time. Most popular method for tend analysis is least square method.

### 4.6.1 Trend Analysis of Home Loan for HBL, Nabil and SBL

In this section, an attempt has made to analyze the trend amount of home loan for HBL, Nabil and SBL and to forecast the home loan for the coming two years.

**Table 4.7**

**Trend Analysis of Home Loan for HBL, Nabil and SBL (in million)**

Year	HBL		Nabil		SBL	
	Home Loan	Trend Value	Home Loan	Trend Value	Home Loan	Trend Value
062/63	2027.79	2092.013	1222.47	1109.68	151.68	73.873
063/64	3089.59	3068.971	2782.69	2887.025	299.17	358.646
064/65	4197.36	4045.929	4534.67	4664.37	528.95	643.419
065/66	4915.06	5022.887	6562.96	6441.715	1024.33	928.192
066/67		5999.84		8211.56		1212.99
067/68		6976.8		9996.42		1497.66
Mean(a)		3557.45	Mean (a)	3775.698	Mean (a)	501.03

Rate of Charge (b)	976.958	Rate of charge (b)	1777.35	Rate of charge (b)	284.77
Trend Equation	$Y_c = 3557.45 + 976.958 x$	Trend Equation	$Y_c = 3775.698 + 1777.35 x$	Trend equation,	$Y_c = 501.03 + 284.77 x$

(Sources: Appendix XIX, XX, XXI)

Table 4.7 depicts that the amount of home loan of all banks in a trend. The rate of change of HBL, NBL & SBL are Rs. 976.958 million, Rs. 1777.35 million and Rs. 284.77 million respectively. The mean home loan of HBL's Rs. 3577.45 million Nabil bank's Rs. 3775.698 million and SBL's Rs.501.03 million in the study period.

If other things remain same, the home loan of HBL, Nabil and SBL for the fiscal year 066/67 will be Rs. 5999.84 million, Rs. 8211.56 million and Rs. 1212.99 million respectively. Similarly, the home loan of same banks for the fiscal year 067/68 will be Rs. 6976.8 million, Rs. 9996.42 million and Rs.1497.66 million respectively. These facts can be presented is Graph to make clear as following.

**Figure 4.10**

**Trend Analysis of Home Loan for HBL, Nabil and SBL**

The above figure indicates that the Home loan segment was lead by HBL in the initial period of research but after 2063/64 this segment is consistently being lead by NBL and SBL is far behind the two banks during the period.

#### 4.6.2 Trend Analysis of Auto loan for HBL, Nabil and SBL

The following table no. 4.8 shows the trend amount of Auto loan for HBL, NABIL and SBL and forecasted amount for the coming two years.

**Table 4.8**

**Trend Analysis of Auto Loan for HBL, Nabil and SBL (in million)**

Year	HBL		Nabil		SBL	
	Auto Loan	Trend Value	Auto Loan	Trend Value	Auto Loan	Trend Value
062/63	126.65	142.227	427.74	410.321	97.95	85.617
063/64	220.81	271.499	761.74	814.202	186.42	223.744
064/65	548.88	400.771	1270.75	1218.083	399.52	361.871
065/66	448.2	530.043	1604.34	1621.964	487.34	499.998
066/67		659.31		2026.13		638.125
067/68		788.58		2429.71		776.253
Mean(a)		336.135	Mean (a)	1016.143	Mean (a)	292.81
Rate of Charge (b)		129.27	Rate of charge (b)	403.88	Rate of charge (b)	138.127
Trend Equation		Yc = 336.135 + 129.27x	Trend Equation	Yc = 1016.143 + 403.88x	Trend equation	Yc = 292.808 + 138.127 x

(Sources: Appendix XXV, XXVI, XXVII)



Table 4.8 depicts that the amount of Auto loan of all banks are in increasing trend. The rate of changes of HBL, Nabil and SBL are Rs. 129.27 million, Rs. 403.88 million and Rs. 138.27 million respectively. The mean Auto loan of HBL's Rs. 336.135 million, Nabil bank's Rs. 1016.143 million and SBL's Rs. 292.81 million in the study period.

If other things remain the same, the Auto loan of HBL Nabil and SBL for the fiscal year 066/67 will be Rs. 659.31 million, Rs. 2026.13 million and Rs. 638.125 million respectively. Similarly, the Auto loan of same banks for the fiscal year 067/68 will be Rs. 788.58 million, Rs. 2429.71 million and Rs. 776.253 million respectively. These facts can be presented in Graph 4.11 to make clear as followings.

**Figure 4.11**  
**Trend Analysis of Auto Loan for HBL, Nabil and SBL**

The above figure shows that the auto loan segment of Nabil Bank is growing with a higher rate than the other sample banks in the research period.

**4.6.3 Trend Analysis of Personal Loan for HBL, Nabil and SBL**

The following Table no: 4.9 shows the trend amount of personal loan for HBL, Nabil and SBL and forecasted amount for the coming two years.

Table 4.9 depicts that the amount of personal loan of all banks are in increasing trends. The rate of charges of HBL, Nabil and SBL are Rs. 418.04 million, Rs. 87.20 million and Rs. 104.50 million respectively. The mean personal loan of HBL's Rs. 681.58 million, Nabil bank's Rs. 180.50 million and SBL's Rs. 203.25 million in the study period.

If other things remaining the same, the personal loan of HBL, Nabil and SBL for the fiscal year 064/65 will be Rs. 1726.68 million, Rs. 398.50 million and Rs. 464.50 million respectively. Similarly, the personal loan of some Banks for the fiscal year 065/66 will be Rs. 2144.72 million, Rs. 485.70 million and Rs. 569.00 million respectively. These facts can be presented is graph 4.12 to make clear as followings.

**Table 4.9**

**Trend Analysis of Personal Loan for HBL, Nabil and SBL (in million)**

Year	HBL		Nabil		SBL	
	Personal Loan	Trend Value	Personal Loan	Trend Value	Home Loan	Trend Value
062/63	834.72	886.55 9	175.746	160.0672	109.78	120.611
063/64	1351.81	1341.9 68	278.269	296.4439	223.17	230.382
062/63	1933.21	1797.3 77	422.134	432.8206	387.07	340.153
063/64	2158.95	2252.7 86	582.38	569.1973	421.05	449.924
064/65		2706.19		705.58		559.693
065/66		3163.60		841.96		669.463
Mean(a)		1569.67	Mean (a)	364.63	Mean (a)	203.25
Rate of Charge (b)		455.409	Rate of charge(b)	136.38	Rate of charge (b)	104.50
Trend Equation		Yc = 1569.67 + 455.409 x	Trend Equation	Yc = 364.63 + 136.38x	Trend equation	Yc = 285.268 + 109.77x

(Sources: Appendix XXV, XXVI, XXVII)

Table 4.8 depicts that the amount of Auto loan of all banks are in increasing trend. The rate of changes of HBL, Nabil and SBL are Rs. 455.409 million, Rs. 87.20 million and Rs. 138.27 million respectively. The mean Auto loan of HBL's Rs. 336.135 million, Nabil bank's Rs. 1016.143 million and SBL's Rs. 292.81 million in the study period.

If other things remain the same, the Auto loan of HBL Nabil and SBL for the fiscal year 066/67 will be Rs. 659.31 million, Rs. 2026.13 million and Rs. 638.125 million respectively. Similarly, the Auto loan of same banks for the fiscal year 067/68 will be Rs. 788.58 million, Rs. 2429.71 million and Rs. 776.253 million respectively. These facts can be presented in Graph 4.11 to make clear as followings.

#### **Figure 4.12**

#### **Trend Analysis of Personal Loan for HBL, Nabil and SBL**

The above figure shows that the auto loan segment of HBL is steadily growing with a higher rate than the other sample banks in the research period.

#### **4.7 Analysis of Primary Data**

Primary data are important sources for this research study which are collected from commercial banks and customers as well as individual academicians. More than one respondent have been included from the same organization as far as possible to ensure the reliability. The respondent of the data cover personalities involving bank managers, officers and customers. This study is mainly based on questionnaire survey of the opinions of 50 respondents. Out of 50 respondents, 5 belong to commercial banks managers, 10 respondents belong to commercial bank officers, 5 belongs to

academicians and 25 respondents belongs to commercial bank's customers and the rest 5 were the people not having any bank accounts.

All together 50 respondents are analyzed in this section. In the first query i.e. *what is your view about recent pace of retail banking in Nepal?* Thirty six of the respondents agree that the retail banking trend is in increasing, 6 respondents disagree and 8 respondents did not make any response. *The second query was if the retail banking is satisfactory for both customers and banks?* Forty respondents showed their agreement 3 of them disagreed while 7 respondents said they do not know.

In the third query, respondent were asked *whether they use or not retail banking product*, 42 responded as yes and 8 as No. This concludes majority of selected respondent have purchased retail banking product offered by bank.

In the Fourth question, the respondent was given the options to *buy the retail banking product and were requested to rank the options*. The responses record is presented and analyzed in the following table.

**Table 4.10**

Options	Rank			Ranking
	1	2	3	
Home Loan	25	18	5	1
Auto Loan	21	22	5	2
Personal Loan	2	8	38	3

*(Sources: Appendix 28)*

In the above table, the responses given by the sample respondents have been presented as it is. Two respondents did not return the questionnaire. On the basis of the presentation of the responses; home loan is ranked the first by the respondents. Auto loan seems to be more preferred among the Nepalese customers after home loan and is followed by personal loan scheme.

The fifth query was *what factor will motivate to get loan in the market?* Five different statement were provided and requested to assign the rank as one if they strongly

agree, two for agree, three for they do not know, four for disagree and five for strongly disagree.

Following table contains response of respondent against the different factors.

**Table 4.11**

Factor	Rank					Ranking
	1	2	3	4	5	
Low interest rate	<b>20</b>	14	8	3	3	1
Innovation product offered by bank	11	<b>19</b>	7	5	6	2
Promotion and ad- campaign	9	8	<b>21</b>	7	3	3
To maintain social status	4	3	9	<b>24</b>	8	4
For better life style	4	4	3	9	<b>28</b>	5

(Sources: Appendix 28)

Among the five factors provided, the respondent ranked that the customer would motivate to get the loan in the market if the loan interest rate decreases. Differential innovative products would tend to motivate the customers in the second position considered by respondents. They ranked that they are motivated by Promotion and advertisement campaigns in the third. They also ranked to maintain social status and better life style in the fourth and fifth position respectively.

In the sixth question the respondents were asked either they agree or not that *Retail banking helps to increase the overall performance of the commercial banks*. Majority of the respondent showed their agreement and in the seventh question, *respondent were requested to rank the different statement to support the above query*.

Following table contains responses of respondent and their ranking based on question no. 6 and question no. 7.

**Table 4.12**

Statements	Rank					Ranking
	1	2	3	4	5	
Reduce NPA	10	5	4	5	1	1
Increase Bank's Profit	7	9	4	3	2	2
Increase quality service and quick delivery	4	5	8	5	3	3
Helps to reduce cost	2	3	6	11	3	4
Helps to technology innovation	2	3	3	1	16	5

(Sources: Appendix 28)

As in other cases, the respondents didn't make a like to every statement no responses number has also been presented against the respective statement. Reduction in nonperforming assets (NPA) has been found to be the most relevant factor of retail banking in the opinion of respondent followed by increase in bank's profit and quality service and quick delivery as second and third position respectively. They also ranked reduce cost in the fourth and retail banking helps to technology innovation in the fifth.

From the data of eighth question, following table presents the collection of respondent's opinion as *Nepalese commercial bank faces difficulties to the growth of retail banking*.

**Table 4.13**

Factor	Rank					Ranking
	1	2	3	4	5	
The legal process is tedious & lengthy	30	6	5	5	2	1
The bank has not sufficient customer segment to match the requirements of customer	8	32	4	3	1	2
The staff are not highly competent	6	5	23	10	4	3
The bank faces difficulties from the competitive market	3	3	12	23	7	4
The present rules and regulation is not sufficient for retail banking growth.	1	2	6	7	34	5

(Sources: Appendix 28)

Above table shows that the responses of respondents regarding the difficulties faced by Nepalese commercial banks. It indicates that the Nepalese commercial bank faces many difficulties in the growth of retail banking. Commodity the results, the mean score of the item the legal process is tedious and lengthy" was found the coyest. If indicates that the procedure of getting loan is lengthy and tedious. To improve the situation, commercial bank, should introduce new technology and revised its process.

Insufficient customer segment has been found to be the second relevant factor to be faces by commercial bank in the opinion of the respondent followed by less competent staff and increase in competitive market. They also ranked insufficient rules and regulation in the fifth.

## **4.8 Findings of the Study**

### **4.8.1 Finding from Secondary Data**

- ) The amount of home loan for all banks under the study is in increasing trend.
- ) The amount of home loan for HBL, Nabil and SBL was Rs. 2027.79 million, Rs. 1222.47 million and Rs. 151.69 million respectively is 062/63. And these amounts have increased to Rs. 4915.06 million, Rs. 6562.97 million and Rs. 1024.16 million respectively in 065/66.
- ) From these result, it is concluded that the position of home loan for HBL, Nabil and SBL is in better position. All the banks are provided greater proportion of their funds on retail banking. But the Nabil bank has leaded the home loan segment by disbursing higher home loan. On the other hand, SBL has the highest growth rate of 89% in this segment.
- ) The contribution of home loan in total loan and advance by all banks are in increasing trend.
- ) The contribution of home loan in total loan and advance for HBL was 14.09 percent, for Nabil was 9.46 percent and for SBL was 5.9 percent in 062/63 and

it has reached to 19.26 percent, 23.44 percent and 10.97 percent respectively in 065/66. The average growth rate of home loan for these banks are 35%, 79% and 89% respectively.

) From these result, it is concluded that the contribution of home loan in total loan and advance of all sample banks are in better position. Again the average growth rate of the home loan for all sample banks has gained robust growth but SBL has shown best performance having higher average growth rate.

) The amount of Auto loan for all sample banks under the study is in increasing trend.

) The amount of Auto loan for HBL, Nabil and SBL were Rs. 126.65 million, Rs. 427.74 million and Rs. 97.95 million respectively in 062/63. And these amount names increased to Rs. 448.20 million, Rs. 1604.34 million and Rs. 487.34 million respectively in 065/66.

) From these result, it is concluded that the position of Auto loan for HBL, Nabil and SBL are in better position. But Nabil bank has leaded the Auto loan segment by disbursing higher auto loan in all year.

) The contribution of auto loan in total loan and advance for HBL was 0.88%, for Nabil was 3.31% and for SBL was 3.81% in 062/63 and it has reached to 2.54%, 5.73% and 5.22% respectively in 065/66. The average growth rate of Auto loan for these banks are 80%, 57% and 61% respectively.

) From these result, it is concluded that the contribution of auto loan in total loan and advance by all banks are in increasing trend. But Nabil bank has shown best performance having highest contribution. Again the average growth rate of auto loan for HBL is comparatively better than Nabil and SBL.

) The amount of personal loan for all banks under the study is in increasing trend.



- ) The amount of personal loan for HBL, Nabil and SBL were Rs. 834.72 million, Rs. 175.746 million and Rs. 109.78 million respectively in 062/63. And these amounts have increased to Rs. 2158.15 million, Rs. 582.38 million and Rs. 421.05 million respectively in 065/66.
- ) From these result, it is concluded that the position of personal loan for HBL, Nabil and SBL is in better position. But HBL leads this segment by disbursing higher personal loan.
- ) The contribution of personal loan in total loan and advance for HBL was 5.81%, for Nabil 1.36% and for SBL was 4.27% respectively is 062/63 and it has reached to 8.46%, 1.97% and 4.51% respectively in 065/66. The average growth rate of Personal loan for these banks are 39%, 49% and 61% respectively.
- ) From these result, it is concluded that the contribution of personal loan in total loan and advance of all the banks are in increasing trend but the percentage of HBL is increasing with a higher rate than other players.
- ) This study has found that highly positive correlation coefficient between home loan and total loan and advance of more than 0.96 in all the three banks. As well, it is also found in all three banks that coefficient of determination of more than 93%. These signify that there is significant relationship between correlation coefficient of home loan and total loan and advance of HBL, Nabil and SBL. But Nabil has the highest degree of correlation coefficient of 0.994 between home loan and total loan and advance than other two banks. It implies that the Nabil Bank is in better position of Home loan on total loan and advance in comparison to HBL and SBL.
- ) This study has found that highly positive correlation coefficient between Auto loan and total loan and advance of more than 0.91 in all the three banks. These signify that there is significant relationship between correlation

coefficient of Auto loan and total loan and advance of HBL, Nabil and SBL. As well, it is also found in all three banks that coefficient of determination of more than 83%. These signify that there is significant relationship between correlation coefficient of Auto loan and total advance of HBL, Nabil and SBL. But HBL has the highest degree of correlation coefficient between Auto loan and total loan and advance than other two banks. It states that the HBL bank is in better position of Auto loan as total loan and advance in comparison of Nabil and SBL.

- J This study has found that highly positive correlation coefficient between personal loan and total loan and advance of more than 0.93 in all the three banks. As well it is also found in all three banks that coefficient of determination of more than 86%. These signify that there is significant relationship between correlation coefficient of personal loan and total advance of HBL, Nabil and SBL. But SBL has the highest degree of correlation coefficient between personal loan and total loan and advance than other two banks. It states that the SBL is in better position of personal loan as total loan and advance in comparison of HBL and Nabil.
- J From the trend analysis, it is found that the amount of Home Loan of all the three banks is in increasing trend. The higher rate of change maintained by Nabil bank indicates that its increasing trend is better position than HBL and SBL in Home loan segment.
- J It is found that the amounts of auto loan for the three banks are in increasing trend. The Rate of change and mean value of Nabil bank is higher than HBL and SBL. That means the Nabil bank has better increasing trend than HBL and SBL.
- J It is found that the amount of Personal loan of all the three banks is in increasing trend. The rate of change and mean value of HBL is higher than Nabil and SBL. That means the HBL has better increasing trend than Nabil and SBL.

#### **4.8.2 Findings from Primary Data**

- ) Most respondent agree that there is increasing trend in retail banking sector in Nepalese market.
- ) Most respondent agree that the retail banking is the good deal for both customer and banks while 3 respondents disagree and 7 respondents said that they are unknown about retail banking.
- ) Majority of respondent have already purchased retail banking product offered by bank. Only 7 respondents purchased the retail banking products.
- ) On the basis of the responses of respondents home loan is ranked as first by Nepalese customers and academicians followed by Auto loan.
- ) Most respondents agree that the low interest rate is the most motivating factor to get the loan in the market.
- ) Majority of the respondents showed their agreement that the retail banking helps to increase the overall performance of the commercial banks by reducing the NPA and increasing the bank's profit.
- ) Most of the respondents agree that the tedious and lengthy legal procedures are barrier in the growth of retail banking.
- )

## **CHAPTER V**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary**

Nepalese banking industry has been suffering an intense competition because of entry of new banks and many financial institutions. This has led the banks to operate under thin interest

spreads, declining margins and rising costs this was not the case until two years ago. Banks were enjoying a lot of business because of expansion in the economy.

In the recent days, many commercial bank, development banks and financial institutions are operating in the economy to assist in the process of economic development of the country. Various institutions are raising their funds and no. of branches to provide more reliable service to people. Due to high and unfair competition between the financial institutions, the high amount of deposit collected from public is not properly invested. It is due to lack of demand for fund. With the changing pattern of the economy, these financial institution need to search for the sources of investment with more diversified products.

This study "*Present Scenario of Retail Banking in Nepal*" is primarily prepaid for the partial fulfillment of the requirement of master of business studies (MBS). This study is mainly based on secondary and primary data provided by concerned banks and respondents. Among the 27 listed commercial banks 3 major consumer friendly commercial banks are selected as sample. The main objective of the study is to find out position and trend of retail banking in Nepal. Most of the listed commercial banks are of similar nature and taken to the sample similar nature banks both are providing same types of service to the customers. Information is collected during the period 2062/063 to 2065/066The collected information is presented, analyzed and conclusion is drawn from the study.

In Chapter one, it is tried to deal with the introduction of the whole study which provides the complete framework for the research work. It explained about concept of retail banking, retail banking players, the selected banks, concentration of the study objectives, statement and organization of the study, which provides guideline for entire study.

Chapter two is concerned with the review of literature. Under which, the review of related previous studies, journals and article etc. is done.

Chapter third specifies the guidelines, tools and techniques for research design to achieve the objectives of the study.

Chapter four is for the analysis and presentation of data correlation coefficients between the relevant figures as well as probable error are considered as the main statistical tools in this study.

Data are collected through different sector and annual report of related banks. But the primary data are generated through personal interview of banks officers, customer and academicians. All these work are the 4<sup>th</sup> chapter.

## 5.2 Conclusion

This study "*Present Scenario of Retail Banking in Nepal*" tried to analyze the existing situation of retail banking in Nepal based on the data provided in the financial statement as well as other sources. Present study is successful to explore the findings of the result designed. For the study various statistical tools were used as requirements of nature of data. The secondary as well as primary source of information was used for analysis of data. Based on the data analysis and finding of the result, the conclusion can be drawn as follows:

From this study, the researcher concludes that retail banking segment in Nepalese commercial banks is continuously in increasing trend since its introduction. Retail banking has started playing an important role in Nepal. In response to this there have been active efforts within the Nepalese banks to be more focused on consumer financial products and services. As the perception of retail banking is still quite low in Nepal, there is tremendous upward potential in this segment.

Again, the research found that the Nepalese banks need to remain in the fair competition in retail banking; banks will need to operate efficiently, Develop and deliver products on time, leveraging the multiple channels of delivery such as the internet, mobile banking, e-cash and the ATMs. The future of retail banking is dependent on technology, marketing and capital employment on the sector. Technology facilitates reduction in transaction cost and provides the ability to do business in volumes. Banks have to prepare themselves to face a soft interest regime. New kinds of management skills are required to manage the retail-lending portfolio. Banks are competing in the retail banking area on the competing in the retail banking area on the basis of product innovation, rationalization of service charges, competitive pricing and simplified procedures for documentation. In Nepal Retail Banking has always been prevalent in various form over since banking was first established here. organized Bank that have been existing 90s and early 2000s that the term "Retail banking" has been used as a means of re-enforcing a conscious foray into this particular Line of in Nepal for over a half country have always had retail trust .It is only since late business .Retail banking today ,for many banks is synonymous with main stream banking ,with vast sums of money being invested in creating

and sustaining a retail brand further supported by requisite technological and staffing support. The major cases of shift towards retail banking by Nepali banks are:

- Fear of corporate defaults and NPA computation.
- Relative safety implied by mortgage loans.
- Low credit off take from commercial and corporate during the period 2000-2003.

### **5.3 Recommendation**

The study always remained consistent that all the forces of retail banking are in increasing trend throughout the study period. Among the sample banks Nabil banks has disbursed higher amount of Home and Auto loan where as HBL has disbursed higher amount of personal loan. On the basis of the findings and conclusion, the following recommendations are made to improve retail banking policies and schemes.

1. When there is less investment opportunity in the country, retail banking is the best avenues for investment. Regarding this, Nabil bank has disbursed large amount of fund for home loan and auto loan. However, other two sample bank, HBL and SBL have disbursed little amount of home loan in terms of figure. But in terms of the percentage of total loan all these sample banks are in a fine position. So, it is recommended to raise their consumer base in order to maximize loan on this sector.
2. Another barrier factor for the growth of retail bank is its interest rate, which is always higher in comparison to other country's commercial banks. So the banks are requested to lower down the interest rate.
3. Bank should raise their budget on research and innovation. On the one hand, Nepalese Banks fail to develop quality products, lunch them in the market at the right time and on the other hand these bank lack product diversification. So, it is more important to innovate, develop and diversify the products by Nepalese commercial banks.
4. Bank should effort to increase to cover the wide areas by increasing the branch network as well more geographical coverage. In the new area, bank should make

effort to tap these areas consumer by providing the product suitable and reasonable for them rather than imitated product.

5. Nepal is an agricultural country, that's why most of the population settles in rural areas. Agriculture related financial product like Agricultural financing, micro credit should be introduced & prioritized by banks to promote this area.
6. Nepalese economy is depending on the remittance income. So, bank should focus this area by providing products like remittance card, money transfer etc. in the places which are nearer to consumer location.
7. The procedure to get loan is quite tedious and lengthy. So it is suggested to make loan procedure more simple and easy.
8. Government should provide a regulatory framework conducive to the establishment of specialized private retail banking institutions by allowing them to compete effectively for savings and respond to market demands for loan rates.

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## **Annex – 1**

### **Questionnaire –I**

**Dear Sir/ Madam,**

I would be very much thankful for your few minutes time to fill up the following questionnaires that have importance in finding recent scenario of retail banking in Nepal. Your individual responses will be kept anonymous and only the general findings will be presented in the research report.

**Mahesh Aryal**

Name (optional):

Position:

Professional experience (in year):

Age (in Year):

Organization:

Please answer the following questions as they relate to the retail banking:

) What is your view about recent pace of retail banking in Nepal?  
■Increasing            ■Decreasing            ■ Don't know

) Is retail banking a good deal for both customers and banks?  
■Yes                    ■No                        ■Don't Know

) Do you ever buy retail banking product offered by banks?

- Yes
- No
- Don't Know

) If you have a option to purchase the retail banking product which of the following option would you give more priority?

Please rank the following alternatives.

- 1) More Priority      2) Indifference      3) Less Priority

Alternative	Rank		
	1	2	3
Home Loan			
Auto Loan			
Personal Loan			

) What factor will motivate to get loan in the market?

Please rank the following alternatives.

- 1 Very relevant    2. Relevant    3. Indifference
- 4. Irrelevant    5. Very Irrelevant

Factor	Rank				
	1	2	3	4	5
Low interest rate					
Promotion and advertisement campaign					
Innovation product offered by bank					
For better lifestyle					
To make future secure					

) Do you agree that the retail banking helps to increase the overall performance of the commercial banks?

■Yes                    ■No                    ■Don't Know

) If yes, please rank the following statement

- 1 Strongly agree                    2. Agree                    3. Don't Know  
 4. Disagree                    5. strongly disagree

Statement	Rank				
	1	2	3	4	5
Reduce NPA					
Increase Bank's Profit increase quality service quick delivery					
Helps to reduce interest rate & cost					
Helps to technology innovation					

2 Please rank the following statement that the Nepalese commercial bank faces difficulties for the growth of retail banking, in your opinion.

1. Strongly agree                    2. Agree                    3. Don't know  
 4. Disagree                    5. Strongly disagree

Statement	Rank				
	1	2	3	4	5
The legal procedure is tedious and lengthy					
The staff are not highly competent					
The bank faces difficulties from the competitive market					
The present rules and regulation is not sufficient for retail banking growth					
The bank has not sufficient customer segment to match the requirements of customers.					

3 What suggestion would you like to give to Nepalese bank regarding retail banking product?

.....  
 .....

Thank you for your kind cooperation

### Appendix – I

Contribution and average growth rate of HBL (In million)

Year	Home Loan (X)	Total Loan advance (Y)	% of home loan on total loan and advance	Growth = $\frac{\text{Ending- Beginning (X)}}{\text{Beginning}}$	G
062/63	2027.79	14391.73	14.09	0	
063/64	3089.59	17952.30	17.21	0.52	
064/65	4197.36	20179.61	20.80	0.36	
065/66	4915.06	25519.52	19.26	0.17	
Total =				1.05	
Average Growth Rate	35%	21%			

**For Home Loan (X)** **For**  
**Loan and Advance (Y)**

$$\text{Average Growth rate} = \frac{\text{Total Growth}}{\text{No. of Years}} \times 100$$

Average

$$\text{Growth rate} = \frac{\text{Total Growth}}{\text{No. of Years}} \times 100$$

$$= \frac{1.05}{3} \times 100$$

$$= \frac{0.63}{3} \times 100$$

$$=35\%$$

$$= 21\%$$

### Appendix – II

Contribution and average growth rate of Nabil (In million)

Year	Hone Loan (X)	Total Loan advance (Y)	% of home loan on total loan and advance	Growth = $\frac{\text{Ending- Beginning (X)}}{\text{Beginning}}$	Growth = $\frac{\text{Ending- Beginning (Y)}}{\text{Beginning}}$
062/63	1222.47	12922.54	9.46	0	0
063/64	2782.69	15545.78	17.9	1.28	0.20
064/65	4534.67	21759.48	20.84	0.63	0.40
065/66	6562.97	27999.01	23.44	0.45	0.29
Total =				2.36	0.79
Average Growth Rate	79%	26.33%			

**For Home Loan (X):**

**Advance (Y):**

**For Loan and**

Average Growth rate  $X \frac{\text{Total Growth}}{\text{No. of Years}} x 100$

Average

Growth rate  $X \frac{\text{Total Growth}}{\text{No. of Years}} x 100$

$$X \frac{2.36}{3} x 100$$

$$X \frac{0.79}{3} x 100\%$$

**=79 %**

**=26.33 %**

**Appendix – III**  
Contribution and average growth rate of SBL (In million)

Year	Hone Loan (X)	Total Loan advance (Y)	% of home loan on total loan and advance	Growth = $\frac{\text{Ending- Beginning (X)}}{\text{Beginning}}$	Growth = $\frac{\text{Ending- Beginning (Y)}}{\text{Beginning}}$
062/63	151.69	2571	5.9	0	0
063/64	299.33	3789	7.9	0.97	0.47
064/65	528.95	6223	8.5	0.77	0.64
065/66	1024.16	9336	10.97	0.94	0.50
Total =				2.68	1.61
Average Growth Rate	89%	54%			

**For Home Loan (X)  
Advance (Y)**

**For Loan and**

$$\text{Average Growth rate} = \frac{\text{Total Growth}}{\text{No. of Years}} \times 100$$

Average Growth

$$\text{rate} = \frac{\text{Total Growth}}{\text{No. of Years}} \times 100$$

$$= \frac{2.68}{3} \times 100\%$$

$$= \frac{1.61}{3} \times 100\%$$

**= 89%**

**=**

**54%**

**Appendix – IV**

Auto Loan: Contribution and average growth rate of HBL (In million)

Year	Auto Loan (X)	Total Loan and advance (Y)	% of Auto loan on total loan and advance	Growth (X)
062/63	126.65	14391.73	0.88	0
063/64	220.81	17952.30	1.23	0.74
064/65	548.88	20179.61	2.72	1.49
065/66	448.2	25519.52	2.54	0.18



Total =				2.41
Average Growth Rate	80%			

**For Auto Loan (X)**

$$\text{Average Growth rate} = X \frac{\text{Total Growth}}{\text{No. of Years}} \times 100$$

$$X \frac{2.41}{3} \times 100\% = 80\%$$

**Appendix – V**

Auto Loan: Contribution and average growth rate of NABIL (In million)

Year	Auto Loan (X)	Total Loan advance (Y)	% of Auto loan on total loan and advance	Growth (X)
062/63	427.74	12922.54	3.31	0
063/64	761.74	15545.78	4.90	0.78
064/65	1270.75	21759.48	5.84	0.67
065/66	1604.34	27999.01	5.73	0.26
Total =				1.71
Average Growth Rate	57%			

**For Auto Loan (X)**

$$\text{Average Growth rate} = X \frac{\text{Total Growth}}{\text{No. of Years}} \times 100$$

$$X \frac{1.71}{3} \times 100\%$$

$$= 57\%$$

### Appendix – VI

Auto Loan: Contribution and average growth rate of SBL (In million)

Year	Auto Loan (X)	Total Loan advance (Y)	% of Auto loan on total loan and advance	Growth (X)
062/63	97.95	2571	3.81	0
063/64	186.42	3789	4.92	0.47
064/65	399.52	6223	6.42	1.14
065/66	487.34	9336	5.22	0.22
Total =				1.83
Average Growth Rate	61%			

#### For Auto Loan (X)

$$\text{Average Growth rate} = \frac{\text{Total Growth}}{\text{No. of Years}} \times 100$$

$$= \frac{1.83}{3} \times 100\%$$

$$= 61\%$$

### Appendix – VII

Personal Loan: Contribution and average growth rate of HBL (In million)

Year	Personal Loan (X)	Total Loan and advance (Y)	% of Auto loan on total loan and advance	Growth (X)
062/63	834.72	14391.73	5.81	0
063/64	1351.81	17952.30	7.53	0.62
064/65	1933.21	20179.61	9.58	0.43
065/66	2158.95	25519.52	8.46	0.12
Total =				1.17
Average Growth Rate	39%			

#### For Personal Loan (X)

$$\text{Average Growth rate} = X \frac{\text{Total Growth}}{\text{No. of Years}} \times 100$$

$$X \frac{1.17}{3} \times 100\%$$

=39%

### Appendix – VIII

Personal Loan: Contribution and average growth rate of NABIL (In million)

Year	Personal Loan (X)	Total Loan advance (Y)	% of Personal loan on total loan and advance	Growth (X)
062/63	175.746	12922.54	1.36	0
063/64	278.269	15545.78	1.79	0.58
064/65	422.134	21759.48	1.94	0.52
065/66	582.38	27999.01	2.08	0.38
Total =				1.48
Average Growth Rate	49%			

#### For Personal Loan (X)

$$\text{Average Growth rate} = X \frac{\text{Total Growth}}{\text{No. of Years}} \times 100$$

$$X \frac{1.48}{3} \times 100\%$$

=49%

### Appendix – IX

Personal Loan: Contribution and average growth rate of SBL (In million)

Year	Personal Loan (X)	Total Loan advance (Y)	% of Personal loan on total loan and advance	Growth (X)
------	-------------------	------------------------	--	------------

062/63	109.78	2571	4.27	0
063/64	223.17	3789	5.89	1.033
064/65	387.05	6223	6.22	0.73
065/66	421.05	9336	4.51	0.088
Total =				1.85
Average Growth Rate	61%			

**For Personal Loan (X)**

$$\text{Average Growth rate} = X \frac{\text{Total Growth}}{\text{No. of Years}} \times 100$$

$$X \frac{1.85}{3} \times 100\%$$

$$= 61\%$$

**Appendix – X**  
Correlation between Home Loan and Total Loan and Advance for HBL (In million)

Year	Home Loan (X)	Total Loan and Advance (Y)	XY	X <sup>2</sup>	Y <sup>2</sup>
2062/63	2027.79	14391.73	29183406.18	4111932.28	207121892.4
2063/64	3089.59	17952.30	55465246.56	9545566.36	322285075.3
2064/65	4197.36	20179.61	84701087.83	17617830.97	407216659.8
2065/66	4915.06	25519.52	125429972	24157814.8	651245901
Total =	<b>x = 14229.8</b>	<b>Y = 78043.16</b>	<b>XY = 294779712.5</b>	<b>x<sup>2</sup> = 55433144.41</b>	<b>y<sup>2</sup> = 1587869528</b>

$$r_{xy} = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$$

$$= \frac{4x294779712.5}{\sqrt{4x55433144.41 \times 4x1587869528}}$$

$$= 0.968$$

$$R^2 = 0.937$$

Probable

$$\text{error P.E (r)} = 0.6745 \times \frac{1 - R^2}{\sqrt{n}} = 0.0212$$

### Appendix XI

Correlation coefficient between Home loan and total loan and advance for Nabil (in million)

Year	Home Loan (X)	Total Loan and Advance (Y)	XY	X <sup>2</sup>	Y <sup>2</sup>
2062/63	1222.47	12922.54	15797417.47	1494432.9	166992040.1
2063/64	2782.69	15545.78	43259086.55	7743363.63	241671275.8
2064/65	4537.67	21759.48	98737339.61	20590449.03	473474969.9
2065/66	6562.97	27999.01	183756662.7	43072575.22	783944561
Total =	x = 15105.8	Y = 78226.81	XY=341550506.3	X <sup>2</sup> = 72900820.79	Y <sup>2</sup> = 1665634927

$$r_{xy} = \frac{\sum XY - \frac{\sum X \sum Y}{n}}{\sqrt{\left(\sum X^2 - \frac{(\sum X)^2}{n}\right) \left(\sum Y^2 - \frac{(\sum Y)^2}{n}\right)}}$$

$$= \frac{4 \times 341550506.3 - \frac{15105.8 \times 78226.81}{4}}{\sqrt{\left(4 \times 72900820.79 - \frac{(15105.8)^2}{4}\right) \left(4 \times 1665634927 - \frac{(78226.8)^2}{4}\right)}}$$

$$= 0.994$$

$$R^2 = 0.989$$

$$\text{Probable error P.E (r)} = 0.6745 \times \frac{1 - R^2}{\sqrt{n}} = 0.0037$$

### Appendix - XII

Correlation coefficient between Home loan and total loan and advance for SBL (in million)

Year	Home Loan (X)	Total Loan and Advance (Y)	XY	X <sup>2</sup>	Y <sup>2</sup>
2062/63	151.68	2571	389969.28	23006.82	661004
2063/64	299.17	3789	1133555.13	89502.69	14356521
2064/65	528.95	6223	3291655.85	679788.10	38725729
2065/66	1024.33	9336	9563144.88	1049251.95	87160896
Total =	x = <b>2004.13</b>	Y = <b>21919</b>	XY=14378325.14	X <sup>2</sup> = 1441549.56	Y <sup>2</sup> = 146853187

$$r_{xy} = \frac{\sum XY - \frac{\sum X \sum Y}{n}}{\sqrt{\left(\sum X^2 - \frac{(\sum X)^2}{n}\right) \left(\sum Y^2 - \frac{(\sum Y)^2}{n}\right)}}$$

$$= \frac{4 \times 14378325.14 - \frac{2004.13 \times 21919}{4}}{\sqrt{\left(4 \times 1441549.56 - \frac{(2004.13)^2}{4}\right) \left(4 \times 146853187 - \frac{(21919)^2}{4}\right)}}$$

$$= \mathbf{0.993}$$

$$R^2 = 0.986$$

$$\text{Probable error P.E (r)} = 0.6745 \times \frac{1Zr^2}{\sqrt{n}} = 0.00472$$

### Appendix - XIII

Correlation coefficient between Auto loan and total loan and advance for HBL  
(in million)

Year	Auto Loan (X)	Total Loan and Advance (Y)	XY	X <sup>2</sup>	Y <sup>2</sup>
2062/63	126.647	14391.73	1822669.43	16039.46	207121892.4
2063/64	220.81	17952.3	3964047.36	48757.056	322285075.3
2064/65	548.885	20179.61	11076285.23	301274.74	407216659.8
2065/66	618.196	25519.52	15776065.19	382166.29	651245901
Total =	X = <b>1514.538</b>	Y = <b>78043.16</b>	XY= <b>32639067.21</b>	X <sup>2</sup> = <b>748237.556</b>	Y <sup>2</sup> = <b>1587869528</b>

$$r_{xy} = \frac{\sum XY - \frac{\sum X \sum Y}{n}}{\sqrt{\left(\sum X^2 - \frac{(\sum X)^2}{n}\right) \left(\sum Y^2 - \frac{(\sum Y)^2}{n}\right)}}$$

$$= \frac{4 \times 32639067.21 - \frac{1514.538 \times 78043.16}{4}}{\sqrt{\left(4 \times 748237.556 - \frac{(1514.538)^2}{4}\right) \left(4 \times 1587869528 - \frac{(78043.16)^2}{4}\right)}}$$

$$= \mathbf{0.915}$$

$$R^2 = 0.838$$

$$\text{Probable error P.E (r)} = 0.6745 \times \frac{1Zr^2}{\sqrt{n}} = 0.055$$

### Appendix - XIV

Correlation coefficient between Auto loan and total loan and advance for Nabil  
(in million)

Year	Auto Loan (X)	Total Loan and Advance (Y)	XY	X <sup>2</sup>	Y <sup>2</sup>
2062/63	427.74	12922.5	5527487	182961.508	166992040
2063/64	761.743	15545.8	11841893	580252.733	241671276
2064/65	1270.75	21759.5	27650938	1614814.79	473474970
2065/66	1604.34	27999	44920023	2573917.34	783944561
Total =	X =4064.58	Y =78226.8	XY= 89940341	X <sup>2</sup> = 4951946.372	Y <sup>2</sup> = 1666082847

$$r_{xy} = \frac{\sum XY}{\sqrt{\sum X^2 \sum Y^2}}$$

$$= \frac{4x89940341 Z(4064.58).(78226.8)}{\sqrt{4x4951946.372 Z(4064.58)^2 x\sqrt{4x1666082847 Z(78226.8)^2}}$$

= **0.988**

R<sup>2</sup> = 0.976

Probable error P.E

$$(r) = 0.6745 \times \frac{1Zr^2}{\sqrt{n}} = 0.012$$

### Appendix - XV

Correlation coefficient between Auto loan and total loan and advance for SBL  
(in million)

Year	Auto Loan (X)	Total Loan and Advance (Y)	XY	X <sup>2</sup>	Y <sup>2</sup>
2062/63	85.1001	2571	218792.4	7242.02702	6610041
2063/64	185.661	3789	703469.5	34470.0069	14356521
2064/65	363.4232	6223	2261583	132076.422	38725729
2065/66	534.9528	9336	4994319	286174.498	87160896
Total =	x = 1169.1371	Y = 21919	XY = 8178164	X <sup>2</sup> = 459962.9545	Y <sup>2</sup> = 146853187

$$r_{xy} = \frac{\sum XY}{\sqrt{\sum X^2 \sum Y^2}}$$

$$= \frac{4x8178164 Z(1169.1371).(21919)}{\sqrt{4x459962.9545 Z(1169.137)^2 x\sqrt{4x146853187 Z(21919)^2}}$$

= 0.996

R<sup>2</sup> = 0.9926

$$\text{Probable error P.E } (r) = 0.6745 \times \frac{1Zr^2}{\sqrt{n}} = 0.0037$$

### Appendix - XVI

Correlation coefficient between Personal loan and total loan and advance for HBL (in million)

Year	Personal Loan(X)	Total Loan and Advance (Y)	XY	X <sup>2</sup>	Y <sup>2</sup>
2062/63	836.159513	14391.7	12033782	699162.731	207121892
2063/64	1351.80819	17952.3	24268066	1827385.38	322285075
2064/65	1933.206638	20179.6	39011356	3737287.91	407216660
2065/66	2164.055296	25519.5	55225652	4683135.32	651245901
Total =	x = 6285.23	y = 78043.2	XY = 130538856	X <sup>2</sup> = 10946971.34	Y <sup>2</sup> = 1587869528



$$r_{xy} = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$$

$$= \frac{4 \times 130538856 \times (6285.23) \times (78043.2)}{\sqrt{4 \times 10946971.34 \times (6285.23)^2 \times 4 \times 1587869528 \times (78043.2)^2}}$$

$$= \mathbf{0.9466} \quad R^2 = 0.896 \quad \text{Probable error P.E}$$

$$(r) = 0.6745 \times \frac{1}{\sqrt{n}} = 0.052$$

### Appendix - XVII

Correlation coefficient between Personal loan and total loan and advance for Nabil (in million)

Year	Personal Loan(X)	Total Loan and Advance (Y)	XY	X <sup>2</sup>	Y <sup>2</sup>
2062/63	175.746544	12922.5	2271092	30886.8477	166992040
2063/64	278.269462	15545.8	4325916	77433.8935	241671276
2064/65	422.133912	21759.5	9185414	178197.04	473474970
2065/66	582.379408	27999	16306047	339165.775	783944561
Total =	x = 1458.53	y = 78226.8	XY= 32088469	X <sup>2</sup> = 625683.56	Y <sup>2</sup> = 1666082847

$$r_{xy} = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$$

$$= \frac{4 \times 32088469 \times (1458.53) \times (78226.8)}{\sqrt{4 \times 625683.56 \times (1458.53)^2 \times 4 \times 1666082847 \times (78226.8)^2}}$$

$$= \mathbf{0.9969}$$

$$R^2 = 0.9937$$

$$\text{Probable error P.E } (r) = 0.6745 \times \frac{1}{\sqrt{n}} = 0.0031$$

### Appendix - XVIII

Correlation coefficient between Personal loan and total loan and advance for SBL (in million)

Year	Personal Loan(X)	Total Loan and Advance (Y)	XY	X <sup>2</sup>	Y <sup>2</sup>
2062/63	109.7817	2571	282248.8	12052.0217	6610041
2063/64	223.1721	3789	845599.1	49805.7862	14356521
2064/65	387.0706	6223	2408740	149823.649	38725729
2065/66	421.0536	9336	3930956	177286.134	87160896
Total =	x = 1141.078	y = 21919	XY= 7467545	X <sup>2</sup> = 388967.59	Y <sup>2</sup> = 146853187

$$r_{xy} = \frac{n\phi_{xy} Z(\phi_x) \cdot (\phi_y)}{\sqrt{n\phi_x^2 Z(\phi_x)^2} \cdot \sqrt{n\phi_y^2 Z(\phi_y)^2}}$$

$$= \frac{4x7467545 Z(1141.078) \cdot (21919)}{\sqrt{4x388967.59 Z(1141.078)^2} \cdot \sqrt{4x146853187 Z(21919)^2}}$$

$$= \mathbf{0.9325}$$

$$R^2 = 0.869$$

Probable error P.E

$$(r) = 0.6745 \times \frac{1 Zr^2}{\sqrt{n}} = 0.0652$$

### Appendix – XIX

Trend Analysis of Home Loan for HBL (in million)

Year (x)	Home Loan (Y)	X = x-2.5	X <sup>2</sup>	XY	Yc = trend value
2062/63 (1)	2027.79	-1.5	2.25	-3041.685	2092.013
2063/64 (2)	3089.59	-0.5	0.25	-1544.795	3068.971
2064/65 (3)	4197.36	0.5	0.25	2098.68	4045.929
2065/66 (4)	4915.06	1.5	2.25	7372.59	5022.887
N = 4	Y = 14229.8	x = 0	X <sup>2</sup> = 5	XY = 4884.79	

The number of years is even (i.e. N= 4) therefore, the origin is taken at 2.5

The equation of trend line is,

$$Y_c = a + bx$$

As x = 0,

$$a = \frac{\phi Y}{N} = \frac{14229.8}{4} = 3557.45$$

$$b = \frac{\phi XY}{\phi X^2} = \frac{4884.79}{5} = 976.958$$

Hence, the trend line is

$$\mathbf{Y_c = 3557.45 + 976.958 x}$$

(i)

The trend values are calculated from equation (i) by putting the respective values of X:

$$\text{When } X = -1.5, Y_c = 3557.45 + 976.958 \times (-1.5) = 2092.013$$

$$\text{When } X = -0.5, Y_c = 3557.45 + 976.958 \times (-0.5) = 3068.971$$

$$\text{When } X = 0.5, Y_c = 3557.45 + 976.958 \times (0.5) = 4045.929$$

$$\text{When } X = 1.5, Y_c = 3557.45 + 976.958 \times (1.5) = 5022.887$$

When  $X = 2.5$ ,  $Y_c = 3557.45 + 976.958 \times 2.5 = 5999.84$   
 (For year 066/67)

When  $X = 3.5$ ,  $Y_c = 3557.45 + 976.958 \times 3.5 = 6976.8$   
 (For year 067/68)

### Appendix - XX

Trend Analysis of Home Loan for Nabil (in million)

Year (X)	Home Loan (Y)	$X = x-2.5$	$X^2$	XY	$Y_c = \text{trend value}$
2062/63 (1)	1222.47	-1.5	2.25	-1833.705	1109.68
2063/64 (2)	2782.69	-0.5	0.25	-1391.345	2887.025
2064/65 (3)	4534.67	0.5	0.25	2267.335	4664.37
2065/66 (4)	6562.96	1.5	2.25	9844.44	6441.715
<b>N = 4</b>	<b>Y =</b> 15102.79	<b>X = 0</b>	<b><math>X^2 = 5</math></b>	<b>XY =</b> 8886.725	

The number of years is even (i.e.  $N = 4$ ) therefore, the origin is taken at 2.5

The equation of trend line is,

$$Y_c = a + bx$$

As  $X = 0$ ,

$$a = \frac{\sum Y}{N} = \frac{15102.79}{4} = 3775.698$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{8886.725}{5} = 1777.35$$

Hence, the trend line is

$$\mathbf{Y_c = 3775.698 + 1777.35 x}$$

-- (i)

Trend Value for year 066/67 =  $3775.698 + 1777.35 \times 2.5 = 8211.56$

Trend Value for year 067/68 =  $3775.698 + 1777.35 \times 3.5 = 9996.42$

### Appendix - XXI

Trend Analysis of Home Loan for SBL (in million)

Year (X)	Home Loan (Y)	$X = x-2.5$	$X^2$	XY	$Y_c = \text{trend value}$
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2062/63 (1)	151.68	-1.5	2.25	-227.52	73.873
2063/64 (2)	299.17	-0.5	0.25	-149.585	358.646
2064/65 (3)	528.95	0.5	0.25	264.475	643.419
2065/66 (4)	1024.33	1.5	2.25	1536.495	928.192
N = 4	Y = 2004.13	X = 0	X <sup>2</sup> = 5	XY = 1423.865	

The equation of trend line is,

$$Y_c = a + bx$$

As  $X = 0$ ,

$$a = \frac{\sum Y}{N} = \frac{2004.13}{4} = 501.03, \quad b = \frac{\sum XY}{\sum X^2} = \frac{1423.865}{5} = 284.77$$

Hence, the trend line is

$$Y_c = 501.03 + 284.77x$$

----- (i)

Trend Value for year 066/67 =  $501.03 + 284.77 \times 2.5 = 1212.99$

Trend Value for year 067/68 =  $501.07 + 284.77 \times 3.5 = 1497.66$

### Appendix – XXII

Trend Analysis of Personal Loan for HBL (in million)

Year (X)	Personal Loan (Y)	X = x-2.5	X <sup>2</sup>	XY	Y <sub>c</sub> = trend value
2062/63 (1)	834.72	-1.5	2.25	-1252.08	886.559
2063/64 (2)	1351.81	-0.5	0.25	-675.905	1341.968
2064/65 (3)	1933.21	0.5	0.25	966.605	1797.377
2065/66 (4)	2158.95	1.5	2.25	3238.425	2252.786
N = 4	Y = 6278.69	X = 0	X <sup>2</sup> = 5	XY = 2277.045	

The equation of trend line is,  $Y_c = a + bx$

As  $X = 0$ ,

$$a = \frac{\phi Y}{N} = \frac{6278.69}{4} = 1569.67$$

$$b = \frac{\phi XY}{\phi X^2} = \frac{2277.045}{5} = 455.409$$

Hence, the trend line is

$$Y_c = 1569.673 + 455.409x \quad \text{----- (1)}$$

Trend Value for year 064/65 = 1569.673 + 455.409 = 2706.19

Trend Value for year 065/66 = 1569.673 + 455.409 x 3.5 = 3163.60

### Appendix - XXIII

Trend Analysis of Personal Loan for Nabil (in million)

Year (X)	Personal Loan (Y)	X = x-2.5	X <sup>2</sup>	XY	Yc = trend value
2062/63 (1)	175.746	-1.5	2.25	-263.619	160.0672
2063/64 (2)	278.269	-0.5	0.25	-139.1345	296.4439
2064/65 (3)	422.134	0.5	0.25	211.067	432.8206
2065/66 (4)	582.38	1.5	2.25	873.57	569.1973
N = 4	Y = 1458.53	X = 0	X <sup>2</sup> = 5	XY = 681.89	

The equation of trend line is,

$$Y_c = a + bx$$

As X = 0,

$$a = \frac{\phi Y}{N} = \frac{1458.53}{4} = 364.63$$

$$b = \frac{\phi XY}{\phi X^2} = \frac{681.89}{5} = 136.38$$

Hence, the trend line is

$$Y_c = 364.63 + 136.38x \quad \text{----- (1)}$$

Trend Value for year 066/67 = 364.63 + 136.38 x 2.5 = 705.58

Trend Value for year 067/68 = 364.63 + 136.38 x 3.5 = 841.96

### Appendix - XXIV

Trend Analysis of Personal Loan for SBL (in million)

Year (X)	Personal Loan (Y)	X = x-2.5	X <sup>2</sup>	XY	Yc = trend value
2062/63 (1)	109.78	-1.5	2.25	-164.67	120.611
2063/64 (2)	223.17	-0.5	0.25	-111.585	230.382
2064/65 (3)	387.07	0.5	0.25	193.535	340.153
2065/66 (4)	421.05	1.5	2.25	631.575	449.924
N = 4	Y = 1141.07	X = 0	X <sup>2</sup> = 5	XY = 548.855	

The equation of trend line is,  $Y_c = a + bx$

As X = 0,

$$a = \frac{\phi Y}{N} = \frac{1141.07}{4} = 285.268$$

$$b = \frac{\phi XY}{\phi X^2} = \frac{548.86}{5} = 109.77$$

Hence, the trend line is

$$Y_c = 285.268 + 109.77x \quad \text{----- (i)}$$

Trend Value for year 066/67 = 285.268 + 109.77 x 2.5 = 559.693

Trend Value for year 067/68 = 285.268 + 109.77 x 3.5 = 669.463

### Appendix - XXV

Trend Analysis of Auto Loan for HBL (in million)

Year (X)	Auto Loan (Y)	X = x-2.5	X <sup>2</sup>	XY	Yc = trend value
2062/63 (1)	126.65	-1.5	2.25	-189.975	142.227
2063/64 (2)	220.81	-0.5	0.25	-110.405	271.499
2064/65 (3)	548.88	0.5	0.25	274.44	400.771
2065/66 (4)	448.2	1.5	2.25	672.3	530.043
N = 4	Y = 1344.54	X = 0	X <sup>2</sup> = 5	XY = 646.36	

The equation of trend line is,  $Y_c = a+bx$

As X = 0,

$$a = \frac{\phi Y}{N} = \frac{1344.54}{4} = 336.135$$

$$b = \frac{\phi XY}{\phi X^2} = \frac{646.36}{5} = 129.27$$

Hence, the trend line is

$$Y_c = 336.135 + 129.27x \quad \text{----- (i)}$$

Trend Value for year 066/67 = 336.135 + 129.27x 2.5 = 659.31

Trend Value for year 067/68 = 336.135 + 129.27x 3.5 = 788.58

### Appendix - XXVI

Trend Analysis of Auto Loan for Nabil (in million)

Year (X)	Auto Loan (Y)	X = x-2.5	X <sup>2</sup>	XY	Yc = trend value
2062/63 (1)	427.74	-1.5	2.25	-641.61	410.321
2063/64 (2)	761.74	-0.5	0.25	-380.87	814.202
2064/65 (3)	1270.75	0.5	0.25	635.375	1218.083
2065/66 (4)	1604.34	1.5	2.25	2406.51	1621.964
N = 4	Y = 4064.57	X = 0	X <sup>2</sup> = 5	XY = 2019.405	

The equation of trend line is,  $Y_c = a+bx$

As X = 0,

$$a = \frac{\phi Y}{N} = \frac{4064.57}{4} = 1016.143$$

$$b = \frac{\phi XY}{\phi X^2} = \frac{2019.405}{5} = 403.88$$

Hence, the trend line is

$$Y_c = 1016.143 + 403.88x \quad \text{----- (i)}$$

Trend Value for year 066/67 = 1016.143 + 403.88 x 2.5 =  
2026.13

$$\text{Trend Value for year 067/68} = 1016.143 + 403.88 \times 3.5 = 2429.71$$

### Appendix - XXVII

#### Trend Analysis of Auto Loan for SBL (in million)

Year (X)	Auto Loan (Y)	X = x-2.5	X <sup>2</sup>	XY	Y <sub>c</sub> = trend value
2062/63 (1)	97.95	-1.5	2.25	-146.925	85.617
2063/64 (2)	186.42	-0.5	0.25	-93.21	223.744
2064/65 (3)	399.52	0.5	0.25	199.76	361.871
2065/66 (4)	487.34	1.5	2.25	731.01	499.998
N = 4	Y = 1171.23	X = 0	X <sup>2</sup> = 5	XY = 690.635	

The equation of trend line is, **Y<sub>c</sub> = a+bx**

As X = 0,

$$a = \frac{\phi Y}{N} = \frac{1171.23}{4} = 292.808$$

$$b = \frac{\phi XY}{\phi X^2} = \frac{690.635}{5} = 138.127$$

Hence, the trend line is

**Y<sub>c</sub> = 292.808 + 138.127x** ----- (i)

Trend Value for year 066/67 = 292.808 + 138.127x 2.5 = 638.125

Trend Value for year 067/68 = 292.808 + 138.127x 3.5 = 776.253