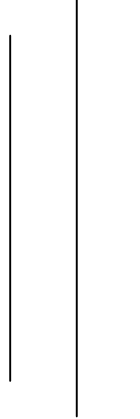


“Deposit Mobilization of Nepal Investment Bank Limited”



By:

RAJANA SHAKYA

Shanker Dev Campus
T. U. Registration. No. 7-2-258-161-98

A Thesis Submitted To:

Office of the Dean
Faculty of Management
Tribhuvan University

In partial fulfillment of the requirement for the degree of

Masters of Business Studies (M.B.S.)

Kathmandu, Nepal
November, 2009

RECOMMENDATION

This is to certify that the thesis:

Submitted by

RAJANA SHAKYA

Entitled

“Deposit Mobilization of Nepal Investment Bank Limited”

has been prepared as approved by this department in the prescribed format of Faculty of Management. This thesis is forwarded for examination.

.....
Dr. Kamal Das Manandhar
(Thesis Supervisor)

.....
Prof. Bisheshor Man Shrestha
(Head of Research Department)

.....
Prof. Dr. Kamal Deep Dhakal
(Campus Chief)

.....
Mr. Shashi Kanta Mainali
(Thesis Supervisor)

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis presented by

RAJANA SHAKYA

Entitled

“Deposit Mobilization of Nepal Investment Bank Limited”

and found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for

Master’s Degree in Business Studies (M.B.S)

Viva-Voce Committee

Head of the Research Department	:
Member (Thesis Supervisor)	:
Member (Thesis Supervisor)	:
Member (External Expert)	:

DECLARATION

I hereby declare that this thesis entitled “**Deposit Mobilization of Nepal Investment Bank Limited**” submitted to the office of Dean, Faculty of Management, Tribhuvan University is my original work. The work has been carried out in the form of partial fulfillment of the research for the Master’s Degree in Business Studies (MBS) under the supervision of Dr. Kamal Das Manandhar and Mr. Shashi Kanta Mainali of Tribhuban University, Shanker Dev Campus.

.....
(Rajana Shakya)
Researcher
Shanker Dev Campus
Campus Roll No. 1738/2059
T.U. Registration No. 7-2-258-161-98

ACKNOWLEDGEMENT

I express my sincere gratitude to all my respected teachers from the Shanker Dev Campus for their continuous inspiration during the study period as a result I am completing the Master's Degree in Business Studies. I hope to get the same inspiration in the days to come.

My special gratitude goes to Dr. Kamal Das Manandhar and Mr. Shashi Kanta Mainali under whose kind supervision I could complete this work. I got constant inspiration and encouragement in course of the work.

At last but not least, I cannot remain without thanking to the authors of published/unpublished materials whose work has been referred to in preparing this thesis.

The responsibility for any errors of fact or interpretation solely rests on me.

.....

Rajana Shakya

Patan

Campus Roll No. 1738/2059

T.U. Registration No. 7-2-258-161-98

November , 2009

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Abbreviation

ATM	:	Automated Teller Machine
B.S.	:	Bikram Sambat
CBs	:	Commercial Banks
CD Ratio	:	Credit to deposit ratio
CDM	:	Central Department of Management
CV	:	Coefficient of Variation
FY	:	Fiscal Year
HMG/N	:	His Majesty's Government of Nepal
i.e.	:	That is
NEPSE	:	Nepal Stock Exchange
NIBL	:	Nepal Investment Bank Limited
NRB	:	Nepal Rastra Bank
p.	:	Page Number
RBB	:	Rastra Banijya Bank
TU	:	Tribhuvan University
Vol.	:	Volume

CHAPTER – I

INTRODUCTION

1.1 Background of the study

As we know that for the economic development of any country industry and commerce play a vital role. Many developed countries have proved that for over all development of the country industry and commerce are better to agriculture. Nepal is an agricultural country. Agriculture is still the mainstay of Nepalese economy. This sector alone has provided employment to 80% of the labour force. It contributes 41% to gross domestic product. Similarly, it contributes about 80% to export trade. Despite the emphasis being given to the development of agriculture sector since the 5th plan, there is no radical change seen in this sector. (Joshi, Shyam, 2000/184) Such situation exists in Nepal, due to the inability to transfer the increased labour force to the non-agriculture sectors like Industry, Trade, and Tourism etc. To increase the pace of industrialization within a country huge amount of capital is needed and at this threshold point actual need of bank or financial institution occurs.

The Nepalese financial system comprises of commercial banks, development banks, finance companies, co-operative societies, NGOs (permitted to perform limited banking activities), insurance companies, Nepal stock exchange, citizen

investment trust, employees provident fund and postal saving service. However, the focus of this thesis will be on some commercial banks in the country / its deposit mobilization practices with reference to the NRB.

The word “Bank” originated from Latin word “Bancus” meaning bench. But some people also trace its origin to the Italia word “Banca” and French word “Banque” both meaning Bench.

The Growth of bank accelerated throughout the globe only after the introduction of “Banking Act – 1883” in United Kingdom as it allowed opening of Joint Stock Company Banks.

A bank is an institution which deals with money by accepting various types of deposits, distributing loan and rendering other financial services. Bank creates money administer the payments system and intermediate between savings and investments .Since banks are rendering a wide range of services to people of different walks of life, they have become an essential part of modern society. A well developed banking system is necessary precondition for the economic development in modern economy. Besides providing financial resources for the growth of industrialization, bank can also influence the direction in which these resources are to be utilized.

In simple language, bank can be defined as a place where the transactions of

money take place. In other words, bank is such an institution that collects scattered deposit and advances loans. A bank collects deposits from different individuals and institutions. These collected deposits are mobilized by giving loans to different industries, commercial enterprises, individuals, households' etc.

A bank doesn't only perform the activity of receiving deposits and advancing loans but at the same time it performs payment or remittance and other credit activities as well. That's why bank plays a significant role in the economic development of the country. Bank fills the gap between the searcher and provider of the fund. It also provides sufficient back support for the growth and expansion of trade and industry of the country, which eventually helps to develop the economic condition of the country.

Earlier banks were different from modern commercial banks in many respects. The banks, which operated in the past, combined central banking functions, such as issues of currency with commercial banking functions like accepting deposits and financing business. In course of time this practice was abandoned and specialized institutions for the central banking functions were created. Now a central bank can be easily distinguished from a commercial bank due to their objectives and unique functions.

A bank borrows money with one hand and lends it with another. It collects funds

from those who do not need it immediately and diffuses those funds among those who need them as a loan. Bank plays the role of mediator between depositor and loan taker. Banks try to make themselves so attractive as debtors and so efficient as creditors that they can earn substantial gross income from the difference between the interest rates they charge as creditors and that they pay as debtors. Thus, income of a bank depends upon the difference in interest rates of they charge and they pay and this interest earning capacity depends upon the volume of the investment.

Commercial banks are the institutions who pool together the scattered saving of the people and arrange for its productive use. The commercial bank has its own role and contribution in the economic development. It is source for the economic confidence of various segments and extends credit to the people. A commercial bank is synonymous to bank. According to Nepal Commercial bank Act 2031 B.S. (1974 A.D.) -"A commercial bank refers to such type of Bank which deals in money exchange, accepting deposit, advancing loan and other commercial transaction other than some special functions performed by specific bank such as co-operatives agricultural and Industrial Banks."

Commercial Banks deal with activities of trade, commerce, industry and agriculture that seek regular financial and other help from banks for growing. The main objective of commercial bank is to mobilize idle resources in productive use after collecting them from scattered sources. This business

yields sufficient income to bear necessary costs as well as to earn substantial profit. Unlike Central Bank, commercial banks are usually profit oriented.

The main objective of commercial banks is to mobilize idle resources for productive use after collecting them from different places. It brings about greater mobility of resources to meet the emerging necessity of the economy. There are various roles played by a commercial bank for the development of an economy, which are capital formation, encouragement to entrepreneurial innovations, influencing economic activity, promotion of trade and industry, development of agriculture and other neglected sectors. Hence, Commercial bank is that financial institution which deals in accepting deposits of persons and institutions and in giving loans against securities and also provides technical and administrative assistance to trades, industries and business. The first commercial bank of Nepal is Nepal Bank Ltd. which was established in 1994 B.S.

"Bank deposits arise in two ways: the first when a banker receives cash and credits a customer account, it is known as primary or a simple deposit. Such primary deposits are made from the initiative of depositors. The second, when the bank advance loans, discounts bills, provide overdraft facilities, make investments through bonds and securities. This is called derived deposits or derivative deposits. They add to the supply of money. Banks actively creates such deposits".(Shakespeare Vaidya 2001:43)

Accepting of deposits and advancing of loans are the primary functions of a commercial bank upon which the business of commercial banks are mainly dependent. Bank deals with money and so it collects money from one group of people and makes available or lends the same money to another group of people. Bank collects money out of the savings of the public. They invest the same money, which generate profit out of the interest. Interest earning capacity depends upon the volume of investment. Bank pays interest to the depositors out of the extra money they have gained. Therefore, the interest rate will generally be high on loans and advances.

At present, 25 commercial banks, 58 development bank, 59 finance companies, 40 non-governmental institutions And 116 postal saving banks, are serving the people and institutions in Nepal. Nevertheless, the financial system of Nepal is dominated by the commercial banks constituting around 80 percent of overall banking transaction.

1.2 PROFILE OF CONCERN BANK

Nepal investment bank ltd is one of the renowned banks of Nepal, which is regarded among the top five banks of Nepal.

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners.

The French partner (holding 50% of the capital of NBIL) was Credit Agricole Indosuez, a subsidiary of one the largest banking group in the world.

Nepal investment bank not only operating for just a banking purpose but also for providing various services and is always willing to provide extensive services through opening up various branch networks to different places within the country.

With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, has acquired on April 2002 the 50% shareholders of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd.

The name of the bank has been changed to Nepal Investment Bank Ltd., upon approval of bank's Annual General Meeting, Nepal Rastra Bank and Company Registrar's office with the following shareholding structure.

- ◆ A group of companies holding 50% of the capital.
- ◆ Rashtriya Banijya Bank Holding 15% of the Capital.
- ◆ Rastriya Beema Sansthan holding the same percentage.

The remaining 20% being held by the General Public (which means that NIBL is a Company listed on the Nepal Stock Exchange).

Nepal Investment bank was awarded as the bank of the year 2003, 2005 and 2008. We believe that NIBL, which is managed by a team of experienced bankers and professionals having proven track record, can offer you what you're looking for. We are sure that your choice of a bank will be guided among other things by its reliability and professionalism.

1.2.1 Board of directors of NIBL

Chairman/Chief Executive Director	Group "A"
Director	Group "A"
Director	Group "A"
Director	Rastriya Banijya Bank
Director	Rastriya Beema Sansthan
Director	General Public

2.2 Management Team of NIBL

Chairman/Chief Executive Director		
Company Secretary		
Deputy General Manager		
Assistant General Manager Putalisadak Branch		
Assistant General Manager Retail Banking	Assistant General Manager Information Technology	Assistant General Manager Credit Quality Control
Head Corporate Banking	Head Trade Finance	Head Legal
Head Operation	Head Branch Co-ordination Cell	Head Cards & Remittance
Head Accounts & Treasury	Head Cash & Transfer	Head Reconciliation
Head Human Resource	Head Credit Administration	Head Internal Audit and Compliance
Head Research & Development	Branch Manager Putalisadak Branch	Branch Manager Pulchowk Branch
Branch Manager Newroad Branch	Branch Manager Birjung Branch	Branch Manager Pokhara Branch
Branch Manager Seepadole Branch	Branch Manager Butwal Branch	Branch Manager Jeetpur Branch
Branch Manager Narayangarh	Branch Manager Banepa Branch	Branch Manager Janakpur Branch
Branch Manager Biratnagar Branch	Branch Manager Bhairahawa Branch	Branch Manager Kalimati Branch

Branch Manager Nepalgunj Branch	Branch Manager Thamel Branch	Branch Manager Birtamod Branch
Branch Manager Battisputali Branch	Branch Manager Dhangadi Branch	Branch Manager Gongabu Branch
Branch Manager Surkhet Branch	Branch Manager Jumla Branch	Branch Manager Boudha Branch
Branch Manager Hetauda Branch	Branch Manager Palpa Branch	Branch Manager Lukla Branch
Branch Manager Dhumbarahi Branch	Branch Manager Naya Baneshwor Branch	Branch Manager Bhotahity Branch
Branch Manager Tulsipur Branch		

1.3 Focus of the study

The growth and development of the country is possible only when competitive banking service reach each and every corner of the country. Banking business in Nepal is also flourishing in a good pace, the commercial banks are also extending & improving their services in different sectors with offering electronic banking (e-banking), offering retail banking and providing ATMs (Automated Teller Machines etc. there are 17 commercial banks competing in banking business in Nepal.

This study will focus the problems of deposit mobilization and proper utilization of deposits by Nepal Investment Bank Ltd. (NIBL). This study will mainly

consider the study of deposits and the characteristics of this bank's loan and reflects on the position of bank's deposits and aggregate allocations of credit on different sectors of the economy. Therefore, this study deals with the efficiency of NIBL and economic development of the country by making a survey of deposits and credit of NIBL and how can we utilize it to fulfil the financial needs of the different sectors of the economy. It has generally been observed that the deposits of commercial banks have not been fully utilized.

People deposit their idle money in the banks for the sake of saving and safety with the incentive of interest income. The main and the most important function of the commercial banks is to disperse the collected money in the most productive areas with an objective to enhance the country's economy and enhance the bank's own performance. Therefore, the main focus of the study is deposit mobilization of the selected bank for the thesis.

1.4 STATEMENT OF PROBLEM

Nepal is passing through a critical period of time. For the first time in about two decades the economy contracted by 0.5 percent in 2001/02, the balance of payment position also turned negative once in the recent past.

However, the economy rebounded in 2002/03 with the growth of 2.4 percent and the growth of 4.7 percent is expected in 2003/04. Exports and imports have

shown positive signs in the initial months of the current fiscal year. Level of foreign currency reserve in Nepal Rastra Bank is at satisfactory level.

It is crucial that a commercial bank's deposit and investment policy must be sound for its existence in this competitive world. The growth bank depends upon the growth of deposits and its suitable mobilization. Deposit mobilization is the key factor that decides the banks future, i.e., whether it will perform well or not. Appropriate mobilization of deposited funds through loan & investment, largely depends the profit which the bank had projected to accomplish. The growth of bank is retarded or accelerated with the liberalization in the deposit and its proper mobilization.

In banking business the volume of credit extension much depends upon the deposit base of bank. The deposit creating power and its mobilization in different areas forces to raise the assets give rise to liabilities. Commercial banks invest their funds in limited areas. The credit extended by the bank to agricultural & industrial sector is not so satisfactory to meet the growing needs of the present economic progression.

The main reason for unsound deposit mobilization is due to the lack of proper analysis of financial risk, interest risk, management risk, business risk, liquidity risk and many more.

The study of problem is identified as follows:

1. Commercial banks of Nepal are considering as an efficient bank but how far are they efficient?
2. Whether these banks are able to meet the obligation lay down by NRB
3. To see the effect of investment decision on total profit and GDP of nation thereby.
4. Whether the condition of studied banks are sound from the view point of nation and from the view point of banking industry.
5. Are they maintaining significant liquidity as guided by NRB?
6. Is there any stability in fund mobilizing policy or not?

1.5 OBJECTIVES OF STUDY

Success of the commercial banks depends upon the way it manages and mobilizes its accumulated deposit (fund). The main objective of this study is also to analyze; how the Investment Bank Ltd. mobilizes its accumulated deposits.

Likewise, following are the specific objectives:

- ◆ To examine the role of NIBL in deposit collection & its mobilization by the commercial banks.
- ◆ To measure the lending capacity of the commercial bank on study.
- ◆ To analyze the financial position of the relevant bank in terms of deposit collection and mobilization procedure.
- ◆ To analyze the trends of deposits mobilization towards total investment

and loan & advances and its projection for next five years.

- ◆ To suggest and recommend some measures on the banks of comparative fund mobilization and investment policies of the relevant banks for the improvements of financial performance in future.

1.6 LIMITATION OF STUDY

The study is only the partial fulfillment of MBS program. However there are some limitations, which narrowed the generalization e.g. inadequate coverage of the industry, time period taken, availability of data, reliability of data used and other variations. The study will be limited by following factors:

- ◆ The whole study is based on the secondary data collected from respective banks. The output may not be the accurate one since the secondary data itself induces various limitations.
- ◆ The study is concentrated only on five years term. Hence the conclusion confines only to the above period.
- ◆ The study mainly concerns with Nepal Investment Bank.
- ◆ This study focuses only on loan disbursement and collection procedure.
- ◆ The data available in published annual reports have been assumed to be correct and true.
- ◆ Time also constraints for the study.

1.7 SCHEME OF STUDY

In this study only five chapters are included which are as follows:

First chapter deals with the introduction, importance of the study, statement of problem, objectives of study, limitation of the study and scheme of the study.

Second chapter deals with the available literature review. It includes review of books, review of legislations related to commercial banks, review of other relevant books, review of bank's reports and review of previous thesis.

Third chapter explains the research methodology used in the study, which includes research designs, nature and sources of data, population and samples, methods of data analysis.

Fourth chapter is the heart of the study. This chapter includes presentation and analysis of data using financial tools such as ratio analysis and statistical tools i.e. correlation coefficient of different variables, average, standard deviation etc are used wherever and whenever necessary to twinkle the research work.

Fifth and last chapter revolves with the suggestions, which include the summary of main findings, recommendations and suggestions for further improvement and conclusions of the study.

Besides above chapters following things are also included:

Appendices

Bibliography

CHAPTER – II

REVIEW OF LITERATURE

The present research aims to analyze the deposit mobilization policy of Nepal Investment Bank Ltd. For this purpose, it needs to review related literatures in this concerned area which will help me to get clear ideas, opinions and other concepts. This chapter emphasizes about the literatures which were concerned in this connections. Therefore, in this chapter conceptual frameworks given by different authors and intellectuals of this area, books, journals, research works, and previous thesis related to deposits and deposits mobilization policy and practices are reviewed. Moreover, rules regarding to deposits mobilization policy are reviewed and an attempt has been made to present them properly.

2.1 Conceptual Framework:

Deposits are the main source of investment for banks. Bank plays role of pool between together the saving of the community and arrange for their productive use. Earning of the bank depends upon the how effectively that bank mobilized collected deposits. Deposit mobilization is one of the important parts of Investment policy of commercial bank.

2.1.1 Evolution of bank and banking system:

It is very difficult to state exactly about the origin of bank. However, through different researches conducted in the sectors revealed that even in ancient time banking transactions took place, which were slightly in crude form of banking compare to today's banking process. When the Roman Empire collapsed, European started commercial and trading activities in 16th and 17th century. Similarly mainly three communities or groups revived commercial banking transaction. They are:

The Merchant

Goldsmith

Money lenders

These above three groups are taken as the ancestor of bankers as they provided the foundation for modern banking system. It is said that the word 'bank' was derived from the Italian word 'Banko' that means accumulation of money or stock or shares.

The bank of Venice of Italy was the first banking institution in the world, established in 1157 A.D. The first joint stock bank of the world is the Bank of England, incorporated in 1694A.D.moreover, later on it became the first central bank of the world in 1944 A.D. The second bank was established in Spain in 1401A.D. The first joint stock bank of the world is the bank of England, incorporated in 1694 A.D., and later on, it became the first central bank of the world in 1844 A.D.

2.1.2 Concept of commercial bank

"The commercial banks are those banks that pool together the saving of the community and arrange for their productive use. They supply their financial needs of modern business by various means. They accept deposit from the public on the condition that they are repayable on demand or on short notice. Commercial banks are restricted to invest their fund in corporate securities. Their business is confined to financing the short term need of trade and industry such as working capital financing. They cannot finance in fixed assets. They grants loan in the form of cash credits and overdraft. Apart from financing, they also render service like collection of bills and cheques, safe keeping of valuable, financial advising etc. to their customer. Commercial banks are generally not allowed to open any branches within metropolitan and sub-metropolitan cities. However, they can open such counters for the stipulated short period to collect deposits only on the special occasions (like trade, fairs and ceremonies, celebrations and festivals, pension distributions) with the prior approval of NRB." (Vaidya;1985:38)

"A bank is a business organization that receives and holds deposits of funds from others make loan or extents credits and transfer funds by written order of deposits."(The Encyclopedia America;1984:302)

In the Nepalese context, commercial banks act,1974 A.D. defines "A commercial bank as one which exchange money, deposits money, accepts

deposited, grants loans and performs commercial banking functions
(Commercial Bank Act, 1974 A.D.)

A commercial bank is a type of financial intermediary and a type of bank. Commercial banking is also known as business banking. After the Great Depression, the U.S. Congress required that banks only engage in banking activities, whereas investment banks were limited to capital market activities. As the two no longer have to be under separate ownership under U.S. law, some use the term "commercial bank" to refer to a bank or a division of a bank primarily dealing with deposits and loans from corporations or large businesses. In some other jurisdictions, the strict separation of investment and commercial banking never applied. Commercial banking may also be seen as distinct from retail banking, which involves the provision of financial services direct to consumers. Many banks offer both commercial and retail banking services.

It raises funds by collecting deposits from businesses and consumers via checkable deposits, savings deposits, and time (or term) deposits. It makes loans to businesses and consumers. It also buys corporate bonds and government bonds. Its primary liabilities are deposits and primary assets are loans and bonds.

Commercial banking can also refer to a bank or a division of a bank that mostly deals with deposits and loans from corporations or large businesses, as

opposed to normal individual members of the public. ([www.wikipedia.com/retail banking](http://www.wikipedia.com/retailbanking)). 2064/08/12 B.S.)

"A commercial bank is a dealer in money and substitutes for money such as cheque or bill of exchange. He also provides a variety of financial services".
(The New Encyclopedia Britanica;1985:60)

"Banking is the business of collecting and safeguarding money as deposits and lending of same. The banker's business is then to take debt of other people to offer his own in exchange and there by to create money. He may be a dealer in debt, but in debtress is only the observe of wealth and it would be equally permissible to describe the banker as a liquefies of wealth." (Crowther Geoffrey, 1945)

"Banks collect money from those who have it to spar or who are saving it out of their income and lend this money out against goods security to those who requires it".(Crowther;1985:58)

Hence we can conclude from the above that the commercial banks are established under the rules and legislation of central bank of the country. It has to move as per the direction given by the central banks. Though banks are establishes for the mobilization of the saved fund central, bank makes certain rules so that the public or the customers of the bank may not under on less of

their hard earned money by the disinvestment procedure of the bank

2.1.3 Role of a commercial bank in economic development:

A well-developed banking system is a necessary pre-condition for economic development in a modern economy. Besides providing financial resources for the growth of industrialization, banks can also influence the direction in which these resources are to be utilized. In a modern economy, banks are to be considered not merely as dealers in money but also the leaders in development. They are not only the storehouses of the country's wealth but also are the utilizes of resources necessary for economic development. It is the growth of commercial banking in 18th and 19th centuries that facilitated the occurrence industrial revolution.

The main objective of commercial banks is to mobilize idle resources for productive use after collecting them from different places. It brings about greater mobility of resources to meet the emerging necessity of the economy. There are various roles played by a commercial bank for the development of an economy, which are capital formation, encouragement to entrepreneurial innovations, influencing economic activity, promotion of trade and industry, development of agriculture and other neglected sectors.

The major problem in almost all underdeveloped countries like Nepal is lack of

capital formation and their proper mobilization. In such countries, commercial banks should act as a development bank. Nepal is a small and poor country but she has sufficient natural resources. To utilize those resources capital is required. Commercial banks gather monetary resources from different areas in the form of deposits and provide loan to investing areas like industry, agriculture etc.

Therefore the fate of the country is greatly determined by the active role of commercial banks. Banks provides facilities to their customers by providing loans, remitting funds, purchase and sale of bills and other market information. These services help to run the business and other economic activities rapidly as well as smoothly which ultimately helps in economic development.

2.1.4 Deposit:

This term represent the liability of the bank. Since the deposits are the borrowed amount from the depositors or from general public in the form of deposits, it is the largest portion of liability of bank. A bank can collect deposits in various forms – saving, time, current or demand deposit etc. Today, we can see different types of deposit offered by banks in Nepal. Banks usually adopts different policy on the withdrawals of money to the depositors. Similarly, different interest rates are entitled for different types of deposit.

Deposit is the main source of funds which the bank usually use for the generation of profit. Therefore, the efficiency of the banks depends on its ability to attract deposit. The capacity of the bank to earn profit depends on the volume and the deposit mix the banks has.

Traditionally, the deposit structure of a commercial bank was through to be determined by the depositors, and not by bank management. Now, the structure of deposit depends upon the bank management due to the growing instruments available in the deposit market. Since it is liability of the bank, the management of banks is always influencing it through deliberate policy actions.

The deposit are highly affected by number of factors- types of customers, physical facilities, management accessibility of customers, participation in community activities, types and range of service offered, and rate of interest paid on deposits. In addition, the prevailing economic condition exerts a decisive influence on the amount of deposits the banks receives.

The nature of the banks such as retail or wholesale, or the environmental of the community – industrial, agricultural, etc. are other factors that influences the bank deposits.

2.1.5 Types of Deposits:

Current account

A current deposit is one of the important types of account maintained by the Government and different institutions. Generally businessmen open this account. They are allowed to withdraw and deposit according to their needs. From current accounts, any amount of money can be withdrawn at any time. Bank does not pay any interest in this type of account but charges a small amount on the customer having current account. This type of account is useful to that person who may need money in uncertain times. This account is known as demand deposit account also. Trader and businessperson keep their money with the bank under current accounts.

From this type of account bank enjoy deposit without paying interest and this type of deposit is more useful in lending process. In NIBL an initial deposit of RS 20000/- must be made to open this account, which is also the minimum balance acceptable by the bank to maintain the account.

Saving Accounts

This is very common and general account. Saving deposit is one of the deposits collected from small depositors and low-income depositors. This type of deposit is suitable for the classes of people who want to save some portion of their earnings or the money left after consumption. The bank usually pays small interest to the depositors against their deposit. The depositors are allowed to withdraw their money by cheque to the amount prescribed by bank. This

amount is called saving account.

NIBL pays an interest of 2.5% per annum. This is calculated on the basis of minimum balance of the month. In this account, there is some restriction in withdrawing money at a time. In NIBL customer has to give pre-notice if he/she/they has/have to withdraw more than 10.00 lacs at one time.

An initial amount of Rs20,000/- must be made to open the savings account which is also minimum balance acceptable by the bank to maintain the account number in NIBL. No interest will be made for balance less than the minimum balance. Interest is calculated and credited to the depositors saving account at minimum monthly balance bi-annually.

Fixed Deposit

A kind of deposit in which amount will be deposited for a fixed period of time. That money cannot be withdrawn before the expiry of the account. Banks pay a higher interest on such deposit. In times of emergency, customers are permitted to borrow money on the security of his fixed deposits. Since, the bank is aware of the repayment date of such fixed deposits, the bank is free to make use of this money for granting loans and advances.

In case of NIBL, the customer can take maximum up to 80% loan amount against his/her/their fixed account and in such case the customer have to pay

7.5% interest in the loan amount than he/she/they are getting from his/her/their fixed deposit account.

Period	Prime	Others
14 days	1.25 %	1.25%
One month	1.75 %	1.75%
Three months	2.75 %	2.5%
Six months	3.00 %	2.75%
One year	4.25%	4.00%
Two year	4.50%	4.25%
More than Two years	4.75%	4.50%

(Source: www.nibl.com.np/ 2065/1/15 B.S).

In fixed deposit account interest is calculated on daily balance basis and posted to customer's interest nominee account on quarterly basis.

2.1.6 Factor Influencing Deposit

1) Interest rates:

The interest rate of the bank also is an important factor of deposit. Higher interest rate attracts people more. If the bank gives higher interest then people deposit their money into that bank rather than deposit into another one.

2) Income level:

Income level of the people also affects in the deposit ratio in any country.

People who have higher level of income they will deposit more in the bank.

When income level of the people decrease their deposit ration will decrease.

Higher income level means higher deposit ratio.

3) Customers Service:

Customer Services provided by banks plays important role in amount deposited by people. People preferred to go to that place, where they can get better services. Likewise people deposit their money to that bank where they feel comfort, from where they get friendly environment etc.

4) Schemes:

Different banks have different types of schemes like giving prizes while depositing money, weekly or monthly lucky draw etc. By using different types of schemes bank attracts people to deposit. So schemes of the banks are also important factors of deposits.

5) Facilities provided by bank:

Deposit ratio of any bank depends on the facilities provided by bank to its customers. Now a day banks are giving different types of facilities to their customers like credit cards, ATM cards, evening counter, 360 days banking services etc.

(www.wikipedia.com/ 2064/1/15 B.S.)

2.1.7 Deposit Mobilization

Banker being only a financial intermediary, it will not be able to make any profit unless he employs funds suitably. It is from out of the interest on deposits, meet the establishment expenses and yet allow him some balance from out of which he can build reserves and pay dividends to the shareholders. Unless a banker makes a judicious use of the resources at his/her command, it is not possible for him to maximize his/her income. (Vaidya;2005:39). Thus, over the long period, investment of funds has been the question of life and death for the banks and it will continue to do so forever.

"The two essential functions of Commercial Banks may best be summarized as the borrowing and lending of money. They borrow money by taking all kinds of deposits. Then it provides money to those who are in need of it by granting overdrafts to fixed loan or by or by discounting bills of exchange or promissory notes. Thus, the primary function of commercial banker is that of a broker and a dealer in money. By discharging this function efficiently, a commercial bank renders valuable service to the community by increasing the productive capacity of country thereby accelerating the pace of economic development".

(KC and Lekshmy: 2000)

Commercial banks are financial institutions which can play very important role in the resource mobilization for the economic development in the Country. Trade, Industry, agriculture and commerce should be developed for the economic development.

2.1.8 Modern Tools of deposit mobilization:

1) eBanking:

eBanking service is one of the modern tools. It allows you to avail online banking transactions from any part of the world. With the change in technology, more than ever, felt the need for banking convenience for their clients. You can now access and have full control over your accounts 24 hours 7 days a week.

2) ATM Card:

An ATM card is also known as a bank card, client card or cash card. at an ATM for deposits, withdrawals, account information, and other types of transactions, often through interbank networks at a branch, as identification for in-person transactions. On most modern ATMs, the customer identifies him or herself by inserting a plastic ATM card with a magnetic stripe or a plastic smartcard with a chip, that contains his or her card number and some security information, such as an expiration date or CVC (CVV). Security is provided by the customer entering a personal identification number PIN.

Using an ATM, customers can access their bank accounts in order to make cash withdrawals (or credit card cash advances) and check their account balances. Many ATMs also allow people to deposit cash or checks, transfer money between their bank accounts, pay bills, or purchase goods and services.

3) Loans:

A loan is a type of debt. All material things can be lent but this article focuses exclusively on monetary loans. Like all debt instruments, a loan entails the redistribution of financial assets over time, between the lender and the borrower.

The borrower initially receives an amount of money from the lender, which they then pay back, usually but not always in regular installments, to the lender. This service is generally provided at a cost, referred to as interest on the debt. A borrower may be subject to certain restrictions known as loan covenants under the terms of the loan.

4) Credit card:

A credit card is a system of payment named after the small plastic card issued to users of the system. A credit card is different from a debit card in that it does not remove money from the user's account after every transaction. In the case of credit cards, the issuer lends money to the consumer (or the user). It is also different from a charge card (though this name is sometimes used by the public to describe credit cards), which requires the balance to be paid in full each month. In contrast, a credit card allows the consumer to 'revolve' their balance, at the cost of having interest charged. Most credit cards are the same shape and size.

5) Safe Deposit Locker:

A safe deposit box (sometimes called a safety deposit box) is a type of safe usually located in groups inside a bank vault or in the back of a bank or post office. It usually holds things such as valuable gemstones, precious metals, currency, or important documents such as wills or property deeds that a person might feel afraid to leave at home due to fear of theft, fire, flood, tampering or other reasons. In the typical arrangement, a renter pays the bank a fee for the use of the box, which can be opened only with production of the assigned key, the bank's master key, the proper signature, or perhaps a code of some sort. Additionally, some banks are using biometric security to complement the already increased security procedures.

6) Debit card:

A Debit Card is a payment card, which enables you with the option of making purchases at merchant locations as well as cash with drawl from ATMs with access to your bank account. It is a convenient financial management tool. It offers many benefits, however at the same time it also carries many responsibilities to the holder thereof. It provides you with a freedom from the burden of carrying cash as well as risk associated with that. Debit Cards have very wide applications, wider than the currency notes and safer than them too. A debit card is a plastic card which provides an alternative payment method to cash when making purchases. Its functionality is more similar to writing a cheque as the funds are withdrawn directly from either the cardholder's bank

account (often referred to as a cheque card), or from the remaining balance on a gift card.

Depending on the store or merchant, the customer may swipe or insert their card into the terminal, or they may hand it to the merchant who will do so. The transaction is authorized and processed and the customer verifies the transaction either by entering a PIN or, occasionally, by signing a sales receipt.

(www.wikipedia.com, www.nibl.com / 2064/1/15 B.S.)

2.2 Review of Journals and Articles

Ramesh Lal Shrestha (2047, B.S.), in his article, *"A Study on Deposit and Credits of Commercial Bank in Nepal"* concluded "The credit deposit ratio would be 51.30 percent, other things remaining the same, in 2004 AD which was the lowest under the period of review. So he has strongly recommended that the commercial banks should try to give more credit earning new filed as far as possible

Bodhi Bajrachara (2047, B.S.), through his article *"Monetary Policy and Deposit Mobilization in Nepal"* has concluded that the mobilization of domestic savings is one of the monetary policies in Nepal. For this purposes commercial banks stood as the vital and active financial intermediary for generation resources in the form of deposit of the private sector so for providing credit to the investor's in different aspects of the economy.

Shiba Raj Shrestha (2055, B.S.), in his article on the *"Portfolio Management in Commercial Bank, Theory and Practice"* has highlighted that portfolio management is the most important thing for both individuals and as well as institutional investors. He suggested that banks having international network could also offer access to global financial markets. He has pointed out the requirement of skilled manpower researcher and analysis teams and proper management information system (MIS) in any commercial bank to get success

in portfolio management and customer's confidence. He concluded that survival of every bank depends upon the own financial wealth and various activities. To develop and expand the portfolio management activities successfully the investment management methodology of a portfolio manager should reflect high standards and give their clients the benefits of global strengths, local insights and prudent philosophy.

The Nepalese banks having greater network and access to national and international capital markets have to go for portfolio management activities for the increment of their fee based income as well as to enrich the client base and to contribute in national economy.

Manohar Shrestha (1990), in his article on "*Commercial Banks Comparative Performance Evaluation*" has viewed that the main point to be considered in interest rate reform is that such change in interest rate provides fair distribution of fixed deposits according to their length and amount. This kind of information, if extended to other items, would be a good bare for analysis of bank's liquidity. Although the belief that high interest rate tends to avoid capital flights to India, yet the actual fact is that increase in interest rate of government securities has compelled banks to raise interest rate on deposits and here by making lending to productive sector costly it is advisable to lower interest on government securities enjoying tax advantages so that there will be better effect on deposit and lending rates."

Shekhar Bahadur Pradhan, (1996), *“Deposit mobilization, it’s problem and prospects”* has presented that deposit is the life blood of every financial institution, be it commercial banks, finance company, co- operative or NGO. He further adds in consideration of most of banks and finance companies the latest figure does produce a strong feeling that serious review must be made of problems and prospects of deposit sectors. Leaving few joint venture banks, other organizations rely heavily on the business deposit and credit disbursement.

Bhasker Sharma, (2000), in his articles *“Banking the Further of Competition”* has said due to the lack of investment avenues, banks are tempted to invest without proper credit appraisal & are personal guarantee, whose negative side effects would show colors only after that *“Private CBs have mushroomed only in the urban areas where banking transactions in large volume is possible. The rural and sub urban areas mostly remain unattended to. This is likely to prevail till competition tasks its full regain in the urban areas”*

Shiva Devi Kafle, (2053 B.S.), *“Nepal Rastra Bank and Its Policies for Monetary Control”* had lighted that liberalization, the effect on deposit seemed to be positive in the latter period as it increased from 17.74 to 21.62 percent of nominal GDP. And thus there was a positive effect on saving mobilization, however, in the case of loan and advances, commercial banks were found to be

underlet because the percentage of loan and advances to nominal GDP was only 10.6 and 11.9 in the two periods respectively.

Shekhar Bahadur Pradhan (2053, B.S.), in his article *“Deposit Mobilization, Its Problem and Prospects”* has presented that deposit is the life-blood of every financial institution, be it commercial bank, finance company, co-operative or non government organization. He further adds in consideration of most of banks and finance companies the latest figure does produce a strong feeling that serious review must of problems and prospects of deposit sectors. Leaving few joint venture banks, other organizations rely heavily on the business deposits and credit disbursement.

2.3 Review of Thesis

Pralhad Karki (2001), in his Master's thesis , *“An Analysis of Deposit Mobilization of RBB, Lahan Branch”* has the objective of see how far the interest rates of deposits have positive relationship with the deposit collection of RBB with special case study of Lahan branch, see the impact of interest rates of loan on the credit extended by the RBB with special case study of Lahan branch, see how far the deposit of RBB Lahan branch have efficiently mobilized.

To meet above mentioned objectives, he has examined the impact of interest rate of on deposit mobilizations also to know the efficient utilization of the accumulated deposit. The study is mainly concern with the RBB Lahan branch. The data presentation analytics of deposit and loan advance is limited to period of ten year from the year mid July 1990 to mid July 1999 most of data are secondary type and apply correlation coefficient as statically tools.

In the study the researcher as found that RBB Lahan branch is less successful to collect maximum deposit and also deposit cannot efficiently utilized and there is negative correlation exists in between interest rate and total credit.

Ajaya Agrawal (2002), in his Master's thesis, "*Study on Deposit and Investment Position of Yeti Finance Company Limited*" has the objectives of to determine the financial position to the finance company, to determine the trend of the deposit position of the company for the period of 5 years, to determine the trend of the investment position of the company for the period of 5 years, to provide the applicable and appropriate suggestion for the improvement of the organization on the basis of findings.

To meet above mentioned objectives, he has examine the trend the deposit position and investment position of the Yeti Finance Company. That study was conducted on the basis of secondary data and used various financial tools to analyze the data. Study just covered only period of 5 years (i.e. FY 1996/07 too 2000/2001). The researcher has found that the deposit policy is not stable but has highly fluctuating trend and investment if gradually in increasing trend.

The researcher found there is highly positively correlation between total deposit and total investment. The researcher concluded that finance companies have been found profit oriented, ignoring the social responsibility, which is not a fair a strategy to sustain in long rub. Therefore it is suggested the company should involve in social program which helps the deprive people who are depended helps in agriculture. Agriculture is the paramount of Nepalese economy so that any finance company should not forget to invest in this sector. In order to do so, they must open their branches in remote ate with an objective of providing

cheaper financing services.

The minimum amount to open accounts and interest rate on credit should be reduced which ultimately intensify the profit and goodwill of the company in future. But in his research there is not clearly mentioned the effect of interest in deposit collection as well as in investment.

Nahindra Maharjan, (2004), in his Master's thesis, "*Deposit Mobilization of RBB, Kirtipur Branch*" has the objectives of examine how far the interest rates of deposits have positive relationship with the deposit collection of RBB with special case study of Kirtipur branch, see the impact of interest rates of loan on the credit extended by RBB with special case study of Kirtipur branch, study the increasing to decreasing trend of deposit mobilization of RBB, Kirtipur branch.

To meet above mentioned objectives, he has analyzed 10 year period that is 2050 BS to 2060 BS. The study was conducted both on primary as well as secondary data. In this study financial tools coefficient of co relation and train analysis are used.

He has concludes that kirtipur branch is successful to collect deposit but it is facing the problem of utilization of its fund. The increasing deposit and decreasing loan and advance is the great problem for the bank. Bank has good collection but it has maintained low investment policy on loan and advance. So,

there is very much wider gap between total deposit and total credit (loan and advance). The bank has not tried to find out the new sector of investment. The central office has not give authority to the branch manager to invest on government securities. He recommended that the bank should try to do different activities to collect more deposits.

Shaseela Manandhar, (2006), in her Master's thesis "*A study on Deposit Mobilization of RBB*" has the objectives of examine and analysis the various deposit services offered by RBB, evaluate the effectiveness of current RBB deposit policy, study the strength and flows for the existing deposit policy and relationship of deposit and loan and advances of RBB, Identification of RBB interest rate of deposits has p[positive relationship with the deposit collection of RBB, analysis and examine the deposited fund position of RBB.

To meet above mentioned objectives, she has analyzed the role of RBL in the deposit accumulation and to see how far the bank is able to utilize the collected deposit. This study covers 10 year data from the year 2052 to 2061 and base on the secondary data. Correlation, % and ratio analytical tool of stat ices are used for the analysis and interpretation of data this study try to analysis relation between the amount of the deposit and amount of total credit granted by RBB.

She had concludes that deposit collection position is increasing but the utilization of these deposits is not in favorable condition. This average credit

deposit ratio shows that the RBB has to improve to mobilize its collected fund netter and better in future. It is also observed the total credit including loan and advance and bill discount. She recommended that bank have to focus on promoting short term loan and trade finance product. Interest rate cuts are envisaged in light of sever competition and reduction in deposit interest rate.

Sarita Maharjan, (2008), in her Master's thesis "*A Study on Mobilization of Deposits Of Himalayan Band Limited*" has the objective of analyze the trend of deposit mobilization of Himalayan Bank, evaluate the current deposit policy of Himalayan Bank and its effectiveness, examine and analyze the various deposit sectors offered by Himalayan Bank, study the strength of existing deposit policy and relationship between deposits and loan and advance of Himalayan Bank Ltd., study performing and non-performing loan of Himalayan Bank Ltd. , identify the relationship of interest of deposits with interest of loan of Himalayan Bank Ltd., provide suggestions and recommendations for the improvement of the deposit mobilization of the bank.

To meet above mentioned objectives, she has analyzed the deposit position if HBL to see the total deposits of the bank. This study covers 5 year data and base on the secondary data. Correlation, % and ratio analytical tool of statistics are used for the analysis and interpretation of data this study try to analysis relation between the amount of the deposit and amount of total credit granted by HBL.

She has found out that deposit is the major function of the commercial bank. Higher the deposit higher will be chance of mobilization of the fund. The bank should be very careful while granting loan and advance because loan and advance is the life blood of the commercial bank. Therefore there will be a great trouble to collect the loan in future which may make the bank to become bankrupt. The bank is in moderate condition during the period of the study. It should try to work hard for mobilization of saving and its diversification into different sectors which should be professionally managed to ensure adequate rate of return on investment such action should be strategically well planned to be competitive with other agencies and also should be trust worthy.

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She has concludes deposit is the major function of the commercial bank. Higher the deposit higher will be chance of mobilization of the fund. The bank should be very careful while granting loan and advance because loan and advance is the life blood of the commercial bank. Therefore there will be a great trouble to collect the loan in future which may make the bank to become bankrupt. The bank is in moderate condition during the period of the study. It should try to work hard for mobilization of saving and its diversification into different sectors which should be professionally managed to ensure adequate rate of return on investment such action should be strategically well planned to be competitive with other agencies and also should be trust worthy.

CHAPTER III

RESEARCH METHODOLOGY

This chapter highlights about the methodology adopted in the process of present study. It also focuses about sources and limitations of the data, which are used in the present study.

Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objects in view (Kothari, C.R., Quantitative Techniques, Vikas Publishing House Pvt.Ltd., New Delhi, 1994, p.19). In other words, Research Methodology indicated the methods and processes employed in the entire aspects of the study. So, it is the methods, steps, and guidelines, which are to be followed in analysis, and it is a way presenting the collected data with meaningful analysis.

3.1 Research Design:

Research design is the plan, structure and strategy of investigation conceived so as to obtain answer to research questions and to control variances (Kerlinger, F.N., Foundation of Behavioral Research, Surjeet Publication, New Delhi, 1978, p.300). The research design is basically a comparative study of deposit mobilization of NIBL. For this purpose secondary data (financial statements) of the NIBL for the period of 4 years (2058/59 to 2061/62) are being used.

3.2 Population and Sample:

There are seventeen commercial banks in Nepal that have share traded successfully in the stock market. Due to time and resource constraint, only one commercial bank is covered in this study.

Nepal Investment Bank Limited.

3.3 Sources and Technique of Data Collection:

The study is mainly based on the secondary data collected from the sample firms. The data includes the Annual Reports of the NIBL, Financial Reports published by the Nepal Stock Exchange (NEPSE), financial and other relevant data regarding the deposit mobilization of the concerned bank.

The data used in this study are collected from different sources i.e. Nepal Stock Exchange, websites such as www.nepalstock.com and www.google.com and the central offices of the bank.

3.4 Data Analysis Tools:

For the purpose of the analysis, following tools are used:

- ◆ Financial tool
- ◆ Statistical tool

3.4.1 Financial Tool:

The following financial tools are used in the present study.

3.4.1.1 Percentage change ratio

Percentage is used to measure the changing position of different amount. The following formula is used to find out the annual percent change.

$$\text{Annual percentage change} = \frac{\text{Amount of this year} - \text{Amount of last year}}{\text{Amount of last year}}$$

Similarly credit deposit ratio (CD Ratio) can be calculated dividing the credit by deposit.

$$\text{CD Ratio} = \frac{\text{Credit}}{\text{Deposit}}$$

This ratio describes relationship between deposit and credit.

3.4.1.2 Growth Ratio

The growth ratio represents how well the bank is maintaining its financial and economic position. For calculation of growth rate, the following formula is used.

$$D = D_0 (1+g)^{n-1}$$

Where,

D_n = total amount in nth year

D_0 = Total amount in initial year

G = Growth rate of amount

n = Total no. of years during the study period.

To examine and analysis, following growth ratios are calculated in this study:

3.4.1.3 Growth ratio of total deposit.

Growth ratio of total credit (loan and advances)

3.4.2 Statistical Tools

3.4.2.1 Coefficient of correlation

It describes and identifies the relationship between two or more variables. Karl Pearson's coefficient of correlation has been used to find out the relationship between the following variables.

- ◆ Coefficient of correlation between deposit and credit.
- ◆ Coefficient of correlation between saving interest rate and saving deposit.
- ◆ Coefficient of correlation between fixed interest rate (1 year) and fixed deposit.

To find the co-efficient of correlation between above variables, this formula has been used.

$$\text{Karl Pearson's coefficient of correlation}(r) = \frac{\sum XY}{\sqrt{\sum X^2 \sum Y^2}}$$

Where,

$$x = X - \bar{X} = \text{Deviation taken from exact A.M. of X series}$$

$Y = Y - \bar{Y}$ = Deviation taken from exact A.M. of Y series.

\bar{X} = A.M of X series.

\bar{Y} = A.M. of Y series.

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

In this chapter, the analysis parts are presented in detail. Different financial and statistical analysis which are related to deposit mobilization are studied to evaluate and to analyze the performance of Nepal Investment Bank Limited.

4.1 DEPOSIT POSITION OF NIBL

Deposit is that amount which is deposited by savers in commercial banks and other financial institutions for safe keeping with an obligation to interest from it. Deposits are the main sources of resources to meet growing demand of financial Existence. The existence of commercial banks basically depends upon the mobilization of deposits. The commercial banks may function when they have adequate deposits. Higher the volume of deposit, higher will be the volume of lending and investment which again generate higher volume of profit. So, a commercial bank first of all tries to mobilize as much deposits as possible. Since the establishment of NIBL, it is playing an important role in the economic development of the country by collecting the scattered resources in the form of deposit. Table no. 4.1 shows the deposit position of NIBL.

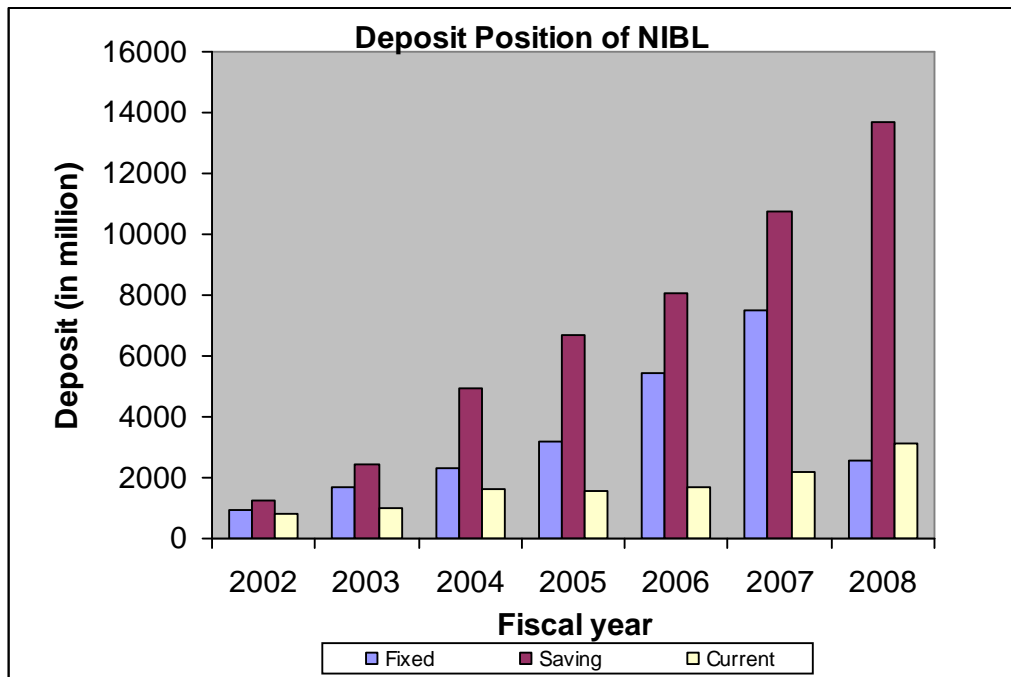
Viewing to the table no. 4.1 we can see the of total deposit of NIBL.

Table No. 4.1
Deposit Position of NIBL
(Rs. in million)

Year/ Mid July	Amount			Total Deposit	Percentage
	Fixed	Saving	Current		
2002	945.9	1276.7	787.5	3010.1	-
2003	1672.8	2433.9	979	5085.7	68.95
2004	2294.7	4922	1625.1	8841.8	73.86
2005	3212.4	6703.5	1583.2	11499.1	30
2006	5413	8082	1705.6	15200.6	32.19
2007	7516.8	10742.2	2175.1	20434.1	34.4
2008	2586.9	13688.8	3138.7	19414.4	-5

Source: Balance Sheet of NIBL (Various Sources)

Figure No.1



4.1.i INDUSTRY INDICATOR:

The average percentage change ratio in Total Deposit of Commercial Banks is 22.35% whereas of 62.2% of NIBL which means the total deposit position of

NIBL is good as compare to total commercial banks.

(See Detail in Annex I)

4.1.1 CURRENT DEPOSIT POSITION

Current account is also known as demand deposit, under this, any amount may be deposited in this account. Account is opened after making enquiries about the credit worthiness of the customer. There are no restrictions regarding the number of withdrawals or the amount of the withdrawals. The bank does not pay any interest on such accounts but charge a small amount on the customer having current account. Traders and businessmen keep their money with the bank under current accounts.

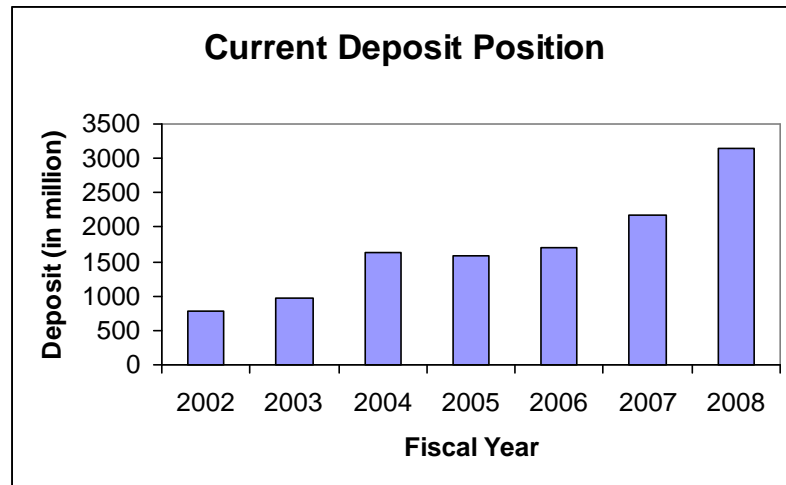
Table No.4.2 shows the deposit amount in current account of NIBL.

Table 4.2
Amount Deposited in Current Account of NIBL
(Rs. in million)

Year/ Mid July	Amount	Percentage Changes
2002	787.5	-
2003	979	24.32
2004	1625.1	66
2005	1583.2	-2.58
2006	1705.6	7.72
2007	2175.1	27.5
2008	3138.7	44.30

Source: Balance Sheet of NIBL (Various Sources)

Figure No.2



As mentioned in the Table No.4.4 from the year 2002 mid July to 2008 mid July the current deposit raised in the year 2004, 2006, 2007 and 2008. The outstanding current deposit was Rs. 787.5 million in the year 2002. The amount increased to Rs. 979 million in the year 2003 and the deposit was moved up to Rs. 1625.1million in 2004. The percentage is increased by 24.32 and 66 respectively in comparison with previous years. But in the year 2005 the amount decreased to 1583.2million which was 2.58 percent lower than in 2004. The amount increased to Rs. 1705.6 million in 2006, Rs.2175.1 million in 2007 and Rs. 3138.7 million in 2008.

4.1.1.1 INDUSTRY INDICATOR:

The average percentage change ratio of Total Commercial Banks is -2.19 % whereas of 23.90% of NIBL. It indicates that NIBL is able to collect deposits in current account.

(See Detail in Annex II)

4.1.2 SAVING DEPOSIT POSITION

The deposit in saving account has also become one of the vital features of commercial banks. Any Nepali citizen with minimum Rs. 1 balance can open the account in NIBL. But the saving account holder does not have the same facility of withdrawn money as the current account holder. If the customer wants to withdraw more money from the bank, which is not allowed by it but if he gives pre-information to the bank, in the situation he can withdraw more money. Table No. 4.3 represents the saving deposit position NIBL.

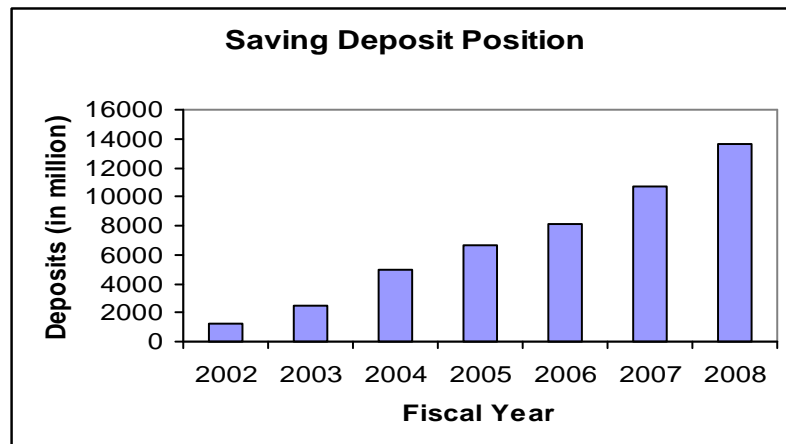
Table No. 4.3
Saving Deposit of NIBL

(Rs. in million)

Year/ Mid July	Amount	Percentage Changes
2002	1276.7	-
2003	2433.9	90.64
2004	4922	102.23
2005	6703.5	36.19
2006	8082	20.56
2007	10742.2	32.92
2008	13688.8	27.43

Source: Balance Sheet of NIBL (Various Sources)

Figure No.3



The Table No. 4.3 indicates the amount deposited in saving account from Mid July 2002 to Mid July 2008. The figure shows the increasing trend of saving deposits. The saving deposit was Rs. 1276.7 million in 2002. Similarly amount increased to Rs. 2433.9 million in 2003, Rs. 4922 million in 2004. The amount increased to Rs. 6703.5 million in 2005, Rs. 8082 million in 2006, Rs.10742.2 million in 2007 and Rs. 13688.8 million in 2008 respectively.

The continuous increase of saving deposit shows the expansion of economic activities as well as successful collection of deposits in saving account. This also shows the improving saving habits of Nepalese people even with the lower income level.

4.1.2.1 INDUSTRY INDICATOR:

The average percentage change ratio in Saving Deposit of Commercial Banks is only 149.8 % whereas of 42.3% of NIBL which means the saving deposit position of NIBL is not good. It has to improve its deposit mobilization policy in saving account.

(See Detail in Annex III)

4.1.3 FIXED DEPOSIT POSITION

Fixed account means an account of accounts deposited in a bank for certain period of time. The customers can renew the fixed deposit period after the expiry of the fixed time. Usually, the interests awarded every 3 month in this deposit. Any Nepalese person can open fixed account with minimum

Rs.100,000 in NIBL. The rate of interest in the fixed deposit is higher than that of other deposit. The customer can not deposit more money again in the deposit, before the fixed time. In case of NIBL, the customer can take maximum up to 80% loan amount against his/her/their fixed account and in such case the customer have to pay 7.5% interest in the loan amount than he/she/they are getting from his/her/their fixed deposit account.

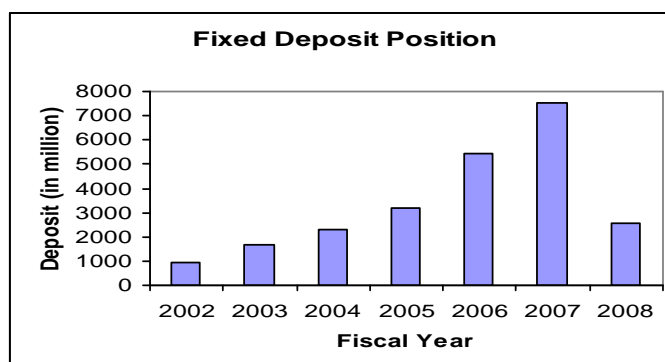
Table No. 4.4 shows the fixed deposit position of NIBL.

Table No. 4.4
Fixed Deposit Position of NIBL
(Rs. in million)

Year/ Mid July	Amount	Percentage
2002	945.9	-
2003	1672.8	76.85
2004	2294.7	37.18
2005	3212.4	40
2006	5413	68.5
2007	7516.8	38.87
2008	2586.9	-65.59

Source: Balance Sheet of NIBL (Various Sources)

Figure No.4



The Table No. 4.4 shows the fixed deposit position of NIBL which shows increasing volumes of fixed deposit except the year 2002 during the 7 years period from 2002 Mid July to 2008 Mid July. The total outstanding fixed deposit was Rs. 945.9 million in 2002A.D. It was increased to Rs. 1672.8 million in 2003 in terms of percentage was 76.85 as compare with the previous year and Rs.1194.7 million in 2004. Similarly, Rs. 3212.4 million in 2005, Rs. 5413 million in 2006, Rs. 7516.8 million in 2007respectively. In the year 2008 amount deposited amount decreased by 65.59%

In the year 2003, the amount was increased to Rs. 1672.8 million as compared to the year 2002 which was the highest percentage change form i.e. 76.85 percentage. Thus, it is found that the bank successfully collected the amount in fixed account.

Thus the deposit collection of the bank is in increasing position. In other words, it can be said that people are using bank for depositing their small saving even with the low income level. Deposit amount in current account is less than saving and fixed account. It is due to few no. of businessmen with this bank. The merchant and traders are benefited more than the individual from current account. An institution or businessman, who usually needs money daily, uses such account mainly for transactions. The bank does not pay any interest in current account. Most account in order to earn interest. So, lacking of businessman in the area, there is fewer amounts deposited in current than

saving and fixed account.

4.1.3.1 INDUSTRY INDICATOR:

The average percentage change ratio of Total Commercial Banks is only 4.79 % whereas of 38.16% of NIBL which indicates the fixed deposit position of NIBL is good. NIBL is successful in collection of fixed deposit as compare to other commercial banks.

(See Detail in Annex IV)

4.2 CREDIT POSITION OF NIBL

The total credit includes the amount of loans and advances and investment. Loan and advances includes credit against imported goods, clothes and yarn, HMG bonds, bills purchase and discounts, gold and silver, house and loan, fixed deposit receipt, share.

Total credit is the amount of loans and advances and investment. Bank provides the loan by accepting the security of debtors. It depends upon the interest rate structure of loans. The low interest rate attracts the people to take loan and advances from the bank. Commercial banks supply loan to their clients for different purpose or sector like agriculture, industrial, trade and miscellaneous. Investment is defined simply to be the sacrifice of current consumption for future consumption whose objective is to increase future wealth. The sacrifice of current consumption takes place at present with certainty and the investor accepts desired level of wealth at the end of his

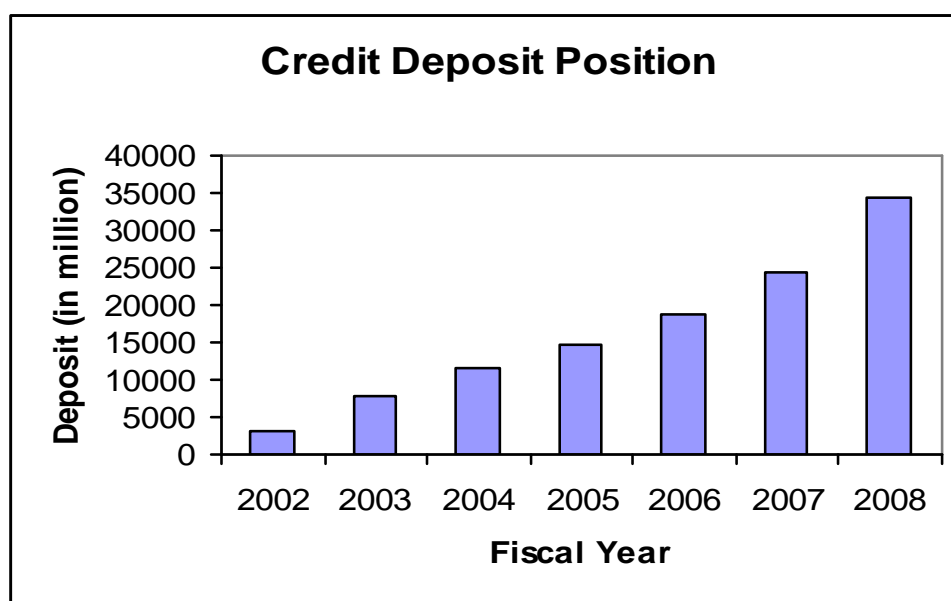
investment horizon. The general principle is that the investment can be retried when cash is needed. Table no. 4.5 shows the credit position of NIBL. Through the amount of credit is increasing at a growing rate in terms of percentage, it is little different.

Table No. 4.5
Credit Position of NIBL
(Rs. in million)

Year/ Mid July	Amount	Percentage Changes
2002	2977.7	-
2003	7687.5	158.17
2004	11462.6	49.11
2005	14564.2	27.06
2006	18844.2	29.39
2007	24287.7	28.89
2008	34408.7	41.67

Source: Balance Sheet of NIBL (Various Sources)

Figure No.5



4.3 CREDIT DEPOSIT RATIO

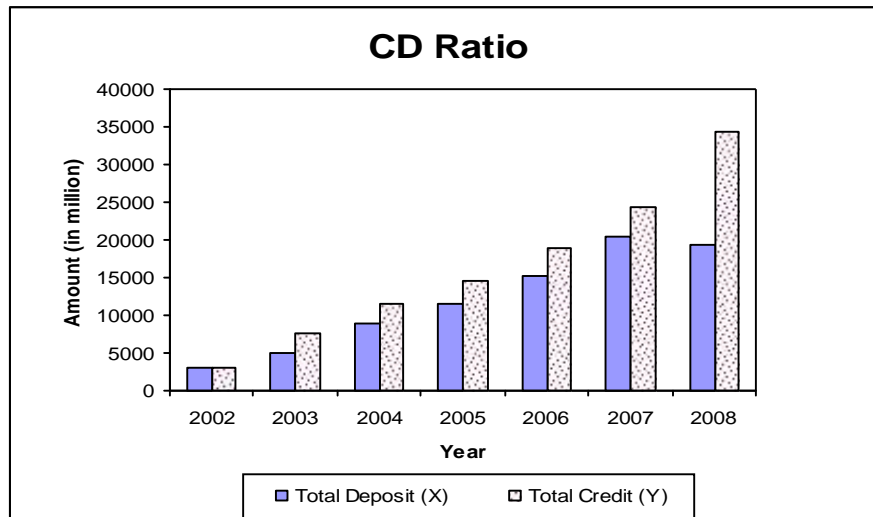
Credit and deposit are the major function of commercial banks. The relationship between these two factors shows the efficiency, ability and idle resources of commercial banks. The ratio of credit and deposit declares by the effective utilization of collected resources. Table no. 4.6 represents the ratio of credit as percentage of deposit with the help of amount of credit and deposits of NIBL. Credit deposit ratio is the highest in year 2003 and the lowest in the year 2002.

Table No. 4.6
Credit Deposit (CD) Ratio of NIBL
(Rs. in million)

Year	Total Deposit	Total Credit	CD Ratio
2002	3010.1	2977.7	98.92
2003	5085.7	7687.5	151.16
2004	8841.8	11462.6	129.64
2005	11499.1	14564.2	126.66
2006	15200.6	18844.2	123.97
2007	20434.1	24287.7	118.86
2008	19414.7	34408.7	177.23

Source: Balance Sheet of NIBL (Various Sources)

Figure No.6



4.3.1 LOAN DEPOSIT RATIO

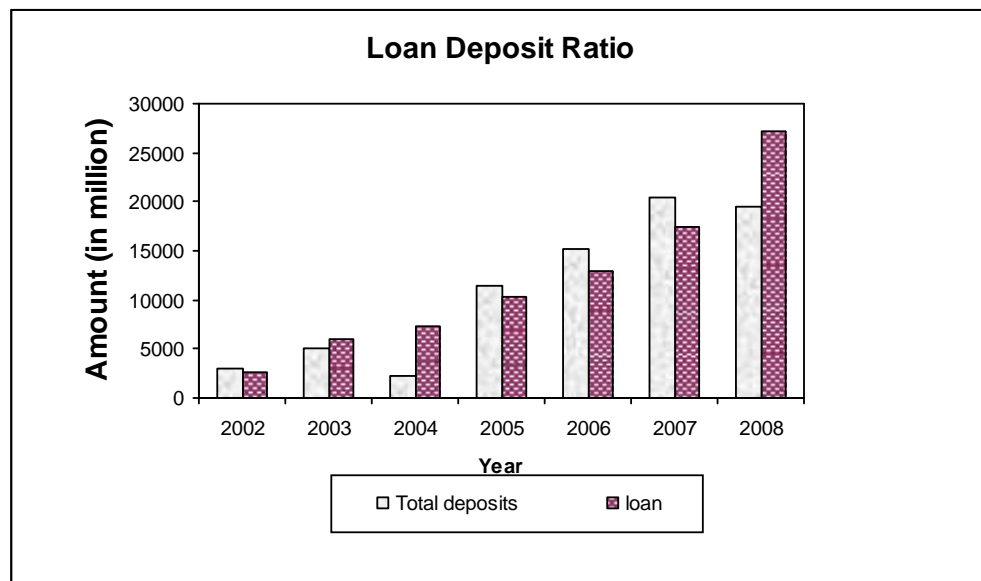
Loan and Advance and deposit are one of the major functions of commercial banks. The relationship between these two factors shows the efficiency, ability and idle resources of commercial banks. This ratio is calculated to find out how the banks are successfully utilizing their total deposit for profit generating purpose on the loans and advances. Greater the ratio implies the better utilization of outsider's fund (total deposit). The ratio of between these two factors declares by the effective utilization of collected resources. Table NO. 4.7 indicates the loan deposit ratio was high in 2004 and low in 2002.

Table NO. 4.7
Loan Deposit Ratio
 (Rs. in million)

Year/Mid July	Total deposits	loan	Loan deposit ratio
2002	3010.1	2715.7	90.2
2003	5085.7	5949.2	116.98
2004	2294.7	7290.2	317.69
2005	11499.1	10295	89.52
2006	15200.6	13007	85.57
2007	20434.1	17452	85.41
2008	19414.4	27415.5	139.82

Source: Balance Sheet of NIBL (Various Sources)

Figure No.7



According to the table, the Loan was Rs. 2715.7 million and deposit was Rs. 3010.1 million in the year Mid July 2002. The percentage of loan to deposit was 90.2 in this year. In 2003, loan deposit ratio was 116.98. At the same time the

amount of loan was Rs. 5949.2 million and deposit was Rs. 5085.7 million. Loan deposit ratio was again increased in 2004 and moved up to 317.69. In that year loan and deposit amount were Rs. 7290.2 million and Rs. 2294.7 million. The percentage of loan to deposit was 317.69%, which was the highest percentage increased during the study period. The higher percentage shows the effective utilization of available resources of banks. In 2005, loan deposit ratio decreased and moved up to 89.52% and loan was Rs. 10295 million and deposit was Rs. 11499.1 million. Similarly loan deposit ratio was 85.56%. During the year, loan amount was Rs. 13007 million and deposit amount was Rs. 15200.6. The decreasing trend of loan deposit ratio indicates the imbalances of its available resources mobilization.

From above analysis, it can be said that there is a greater relationship between deposits and loan and advances. Increase in deposits leads to increase in the loan and advances but when immense increase in the deposit leads to a little bit increase in loan advances. The above analysis shows that NIBL has not been succeeded to mobilize its resources. Its highest CD ratio is 177.23 and the lowest CD ratio is 98.92. The higher amount of deposit of this bank than loan is due to the concentration of this bank in deposit collection. The bank is success to attract people to deposit their savings. Although bank has a lot of funds, it couldn't make the outflow of those funds as loan. It is calculated with the help of amount of loan divided by total deposit.

4.4 GROWTH RATIO OF NIBL

The growth ratio represents how well the bank is maintaining its economics and financial position. Higher the ratio better performance of the bank and vice-versa. In this ratio, two growth ratios are studied which are directly related to deposit mobilization of bank.

For calculation of growth rate, the following formula can be used.

$$D_n = D_0(1+g)^{n-1}$$

Where, D_n = Total amount in nth year

D_0 = Total amount in initial year

g = Growth rate of amount

n = Total no. of years during the study period.

4.4.1 GROWTH RATIO OF TOTAL DEPOSIT

Table No. 4.8 represents the total deposit and growth rate during the study period of Mid July 2002 to Mid July 2008. (See Detail in Annex V)

Table No. 4.8
Growth Ratio of Total Deposit
(Rs.in millions)

Year	Total Deposit
2002	3010.1
2003	5085.7
2004	8841.8
2005	11499.1
2006	15200.6
2007	20434.1
2008	19414.4
Growth Rate	37%

From the analysis, it is found that the growth rate of total deposit of NIBL is 37 percent. So, it can be said that this bank must improve its deposit collection in higher growth rate. So, this bank should reform the existing policy into new activities, program, policy which might help increased the deposit of its bank.

4.4.2 GROWTH RATIO OF TOTAL CREDIT

Table No. 4.8 represents the amount of total credit and its growth rate of study period Mid July 2002 to Mid July 2008.

(See Detail in Annex VI)

Table No. 4.9
Growth Ratio of Total Credit

(Rs.in millions)

Year	Total Credit
2000	2084
2001	2744
2002	2977.7
2003	7687.5
2004	11462.6
2005	14564.2
2006	18844.2
2007	24287.7
2008	34408.7
Growth Rate	50%

The analysis shows the growth rate of total credit is 50 percent under a year study period which is higher as comparison with the growth rate of total deposit of this bank i.e. 37 percent.

4.3 Statistical analysis

Under this analysis, some statistical tools are used to achieve the objectives of the study. Following statistical tools are used for this purpose.

- Coefficient of correlation

4.3.1 COEFFICIENT OF CORRELATION

Under this analysis, Karl Pearson's coefficient of correlation is used to find out the relationship between the two variables. Correlation analysis is a measure of

association that is based on the numerical values of the two variables. IT is preferred in this study to identify the relationship between variables whether the relationship is significant or not.

4.3.1.1 CORRELATION COEFFICIENT BETWEEN DEPOSIT AND CREDIT

Correlation coefficient between deposits and credit measures the degree of relationship between deposit and credit. Here, the credit is the amount of loans and advances. In correlation analysis deposit is an independent variable (x) while credit is dependent variable (y) .

(See Detail in Annex VII).

The following table describes the relationship between deposit and credit during the study period of 7 years.

Table No.4.10
Correlation coefficient between total deposits and total credit

Evaluation Criteria						
Name	r	r ²	P.Er	6 P.Er	Sig/ insig	Relationship
NIBL	0.94	0.8836	0.03	0.18	Significant	High Degree of positive correlation

The above table shows correlation between total deposit and total credit NIBL. In this case, the correlation coefficient between total deposit and total credit is 0.94. This shows there is high degree of positive association between deposit

and credit of the bank. It can be concluded that there is significant relationship between deposit and credit of NIBL. It also shows that the increment in deposits will lead to increase in credit. The coefficient of determinants of bank show above 88.36% of total credit that explain by deposits, this signifies the bank is successful in mobilization of deposit through credit

The coefficient of determination, (r^2) is 0.8836. It indicates that 88.36 percent of the variation in the dependent variable (total credit) has been explained by the independent variable (total deposit). Further value of P.E.(r) is 0.03 and 6P.Er is 0.18. The value of correlation coefficient (r) is too greater than 6 times probable error (6P.Er). Therefore, r is significant.

4.3.1.2 CORRELATION COEFFICIENT BETWEEN INTEREST RATE AND SAVING DEPOSIT

Correlation coefficient between interest rate and saving deposit measures the degree of relationship between them. For correlation analysis, interest rate is taken as independent variable(x) whereas saving deposit is dependent variable (y). The main objective of computing 'r' between these two variables is to justify whether interest rate is significantly correlated with saving deposit or not.

(See Annex VIII).

The following table describes the relationship between interest rate and saving deposit under the study period of 7 years.

Table No. 4.11
Correlation Coefficient Between
Interest Rate and Saving Deposit

Evaluation Criteria						
Name	r	r ²	P.Er	6 P.Er	Sig/ insig	Relationship
NIBL	-0.831	0.69	0.08	0.48	Insignificant	High Degree of negative correlation

The above table shows correlation coefficient between interest rate and saving deposit of NIBL is -0.831, there is negative correlation between these two variables. It is concluded that there is negative relationship between saving interest rate and saving deposit. It also shows that saving interest rate decreases but saving deposit collection doesn't decrease. We can say that the bank is able to satisfy its customers by starting different schemes to attract customer like opening account with Rs.1, any branch banking, ATM facilities, Mobile Recharges through ATM etc which may help to increase the deposit collection of the bank to get success in the field of cut throat competition.

Again coefficient of determination (r^2) is 0.69 It indicates that 69 percent of the variation in the saving deposit (dependent variable) has been explained by interest rate (independent variable)

Generally, probable error is used to measure the significance of the relation between two variables, the probable error (P.Er) is 0.08 and 6P.Er is 0.48 Since the 'r' is less than 6P.Er, it can be concluded that the relation between the two variables between interest rate and saving deposit is insignificant or there is no degree of association between saving interest rate and saving deposit.

4.3.1.3 CORRELATION COEFFICIENT BETWEEN INTEREST RATE AND FIXED DEPOSIT (1 YEAR INTEREST RATE)

Correlation coefficient between interest rate and fixed deposit measures the degree of relationship between the interest rate and fixed deposit. Here, interest rate is independent variable (X) and fixed deposit is dependent variable (Y). The main objectives of the analysis of 'r' between interest rate and fixed deposit are to justify whether interest rate is significantly correlated with fixed deposit or not (See Annex IX).

Table No. 4.12 describes the relationship between interest rate and fixed deposit during the study period from Mid July 2002 to Mid July 2008.

Table No. 4.12
Correlation coefficient Between
Interest Rate and Fixed Deposit

Evaluation Criterions						
Name	r	r ²	P.Er	6 P.Er	Sig/ insig	Relationship
NIBL	-0.409	0.1673	0.21	1.26	Insignificant	High Degree of negative correlation

According to above table, the correlation coefficient between interest rate (independent) of NIBL is -0.409, which indicates negative correlation between these two variables. It also shows that fixed deposit interest rate decreases but fixed deposits collection doesn't decrease. We can say that bank is able to satisfy its depositors.

On the other hand, the value of coefficient of determination (r^2) is 0.1673. It indicates that 16.73 percent of the variation in the dependent variable (Y) has been explained by the independent variable (X).

Again value of P.Er is 0.21 and 6P.Er is 1.26 since the value of 'r' is less than 6P.Er, the value of r is insignificant.

4.4 Major Findings

In this study, to analyze the deposit and credit position of NIBL, for the period of eleven year starting from Mid July 2002 to Mid July 2008 have been taken into considering. Secondary data have been used for the study. Generally, financial as well as statistical tools have been used to reveal the entire position of deposit and credit of the NIBL.

Percentage Change Ratio

The analysis reveals that the banks attraction towards current deposit seems satisfactory. It is not stable during the study period. It is negative position in the years 2005. The highest percentage of change is in the year 2004 i.e. 66 percent.

The change in percentage increase of saving deposit is the highest in 2004 i.e. 102.23 percent and the lowest in 2006 i.e. 20.56 percent. The analysis shows that the percentage is increased in each year but in zigzag order.

In the analysis of fixed deposit, it is observed that fixed deposit percentage change is also in zigzag order. Highest percentage of change is in the year 2003, i.e. 76.85 percent. Lowest percentage of change is in the year 2008 i.e.5.7 percent.

The analysis reveals that the bank's attraction towards total deposit seems to be satisfactory though the percentage changes are not stable normal, the ratios

are on an average.

In case of percentage change in credit amount, the bank's attraction towards credit amount is moderate position. The change in percentage increase of credit is the highest in 2003 i.e. 158.17 percent and the lowest in 2005 i.e. 27.06 percent. The analysis shows that the percentage is increased in each year but in zigzag order.

Credit Deposit Ratio (CD Ratio)

The CD ratio of NIBL which indicates the better utilization of its deposit in loan and advances and in investment in almost favorable condition. CD ratio has been followed increasing trend. It is clear that NIBL is success in utilizing its deposit but not as per the ratio of deposit. The bank is not able to invest all deposit. Due to various internal and external factors, the bank is able to make investment. That's why deposits are excess and idle in the bank. So, there is gap between the deposits and credit. As a result, there is piling up of idle deposits with the bank.

Loan Deposit Ratio

The Loan Deposit ratio of NIBL indicates the better utilization of its deposit in loan and advances in almost favorable condition. Loan Deposit ratio has been followed increasing trend. It is clear that NIBL is success in utilizing its deposit but not as per the ratio of deposit. Due to various internal and external factors, the bank is able to make investment. That's why deposits are excess and idle in

the bank. So, there is gap between the deposits and credit. As a result, there is piling up of idle deposits with the bank. Loan Deposit ratio is highest in the year 2004 i.e. 317.69 percentage.

Growth Ratio

The growth ratio of total deposit of NIBL by analysis of 8 years period is 37percent. It means the bank is able to maintain 37 percent growth rate. This ratio measures the capacity of the bank to maintain the percentage of increase of total deposit. Since the growth ratio of total deposit is 34 percent, the bank must improve its deposit collection in high growth ratio.

The growth ratio of total credit of NIBL during the study period of 8 years is 50 percent. So, the bank seems in good condition to increase total yearly growth rate.

Correlation Coefficient

Correlation coefficient between deposit and credit of NIBL shows the positive relationship between these two variables. Since $r^2 = 0.8836$, it indicates that 88.36 percent of the variation in the total credit has been explained by the deposit. Since $r > 6P.Er.$, there is significant relationship between deposit and credit.

Correlation coefficient between saving interest rate and saving deposit of NIBL shows negative relationship between these two variables. By application of the

coefficient of determination, it indicates 69 percent of the variation in the saving deposit has been explained by saving interest rate. Since $r < 6P.Er$, there is insignificant relationship between interest rates and saving deposit. It shows that saving interest rate decreases but amount of saving deposit doesn't decrease.

Correlation coefficient between fixed interest rate and fixed deposit amount shows the negative relationship between these two variables. By application of the coefficient of determination, It indicates that 16.73 percent of the variation in the fixed deposit amount has been explained by the fixed interest rate. Because of r is less than $6P.Er$, there is insignificant relationship between interest rate and fixed deposit. It shows that fixed interest rate decreases but fixed deposit collection increases.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter focuses on summarizing the study held with the conclusions and recommendations on the basis of findings. For this purpose, the chapter has been divided into three parts as: Summary, Conclusion and Recommendation.

5.1 SUMMARY

The early banks in Europe were places for safe keeping of valuable items as people came to fear less of their assets due to war, theft or expropriation by government. When colonies were established in North and South America, Old world banking practices were transferred to the New World. At the first the colonists dealt primarily with established banks in the countries from which they had come.

In Nepal Tejrath Adda was established during Ranadip Singh's tenure as the prime minister in 1933 B.S. This institution was established to grant loans to employees and public against billions.

Modern banking started in Nepal after the establishment of Nepal Bank Limited in 1994 B.S. Later in 2013 B.S., Nepal Rastra Bank, the Central Bank of Nepal was established under Nepal Rastra Bank Act 2012. It was established to

promote banking, circulate the Nepalese currency and abolish the dual currency system prevalent at that time, facilitate government transactions, and maintain foreign exchange reserves which were then kept with the reserve bank of India.

The Nepalese financial condition experienced an expansion in both the number of institutions and service portfolio after the liberalization of the banking system in 1984 A.D. Nepal Arab Banking Limited (now Nabil Bank) was the first joint venture bank of Nepal.

Commercial banks play an important part for economic development of a country as they provide capital for the development of industry, trade and business by investing the saving collected as deposits from public. They render various services to their customers facilitating their economic and their social life. They are the most important ingredients for integrated and speedy development of a country. Therefore, a competitive and reliable banking system is essential to every country to development.

Now a days there is very much competition in banking market. In this situation joint venture banks can take initiation in search of new opportunities, so that they can survive in the competitive market and earn profit.

Currently the economy of Nepal is witness historic changes in its structure, both positively and negatively, and almost all sectors of the economy are facing new

issues and confronting new challenges of transformation by the introduction of market economy in the country.

Commercial banks play a vital role in performing such base for financial and economic development by way of deposit mobilization. It is true that strong financial institution is the great need in the developing country like Nepal because all the economic condition are based on the financial institutions and the development of a country depends upon the active participation of the banks in the different activities in the country.

Deposits are the obligation of the commercial banks. So, commercial banks must allocate the funds in different loan and advances and investments. The main objective of the bank is to examine the relationship between total deposits and total credits, the other objectives is to examine the trend of total deposit and total credit and total credit.

According to the Balance Sheet published by NIBL, the total deposit position of NIBL was Rs. 3010 million which included Rs. 945.9 million in fixed deposit, Rs. 1276.7 million in saving deposit and Rs. 787.5 million in current deposit in the year 2002 Mid July. In the year 2008, the total deposit was Rs. 19414.4 million which included Rs. 7944.2 million in fixed deposit, Rs. 13688.8 million in saving deposit and Rs. 3138.7 million in current deposit. But the total credit position of the bank was Rs. 3977.7 million in the year 2002 and Rs. 34408.7 million in the

year 2008. The highest deposit collected in the year 2007 i.e. Rs. 20434.1 million. The highest total credit in the year 2008 i.e. Rs. 34408.7 million and the highest CD ratio was 177.23 percentages in the year 2008. The lowest CD ratio was 98.92 percentages in the year 2002. The lowest total deposit and total credit was Rs. 3010.1 million and Rs. 2977.7 million in 2002.

The interest rates on deposits and loans have been changing slightly in time to time. Sometimes rates are changing in upward direction and sometime in downward direction. These changes were made in order to maintain the balance between interest earnings and interest expenses.

In the study it is found that the correlation between total deposit total credits is 0.94. Which shows the degree of association between these two are very high. Here $r > 6PE(r)$, which means that the relationship between total deposit and the total credit is significant it means, by increase in the deposit, the amount of credit can be increased.

In the analysis of relationship of interest and the deposits (saving& fixed) shows that, there is a high degree of insignificant correlation between saving deposit and the given interest rate. Here $r < 6P.E(r)$ which means that the relation between the two variables interest rate and saving deposit is insignificant. But there is significant relation between the fixed interest rate and fixed deposit because the value of 'r' is less than $6PE(r)$, the value of r is insignificant.

5.2 CONCLUSION

Commercial banks are the engine of modern financial system. The role of these banks is significant not only in mobilizing savings but also in making investment for the development of different sectors of the economy. Their role is prominent in reducing poverty and increasing employment opportunities in the country commercial banks are therefore called modern vehicle for the economic development.

Before the liberalization of the financial sector in 1984 there were only 2 commercial banks in operation. There wasn't much of competition during that period. Since the liberalization new joint venture commercial banks started to come up and the number finally has reached to 17 to date. Due to this rapid increase in the number of commercial banks in a short span of time the competitiveness has intensified. In the race to capture more market share there has been stiff competition between them. The ultimate winners of this competition have been the consumers as they are getting more service variety, faster services, easier accessibility etc. To attract new customers the banks are coming up with new and innovative products matching international standards. Since the beginning of the new millennium the joint venture banks have come up with new products like debit card, mobile banking, internet banking, home banking, any branch banking etc. which an average consumer had not even imagined a decade back.

In order to increase the number of customers and depositors the bank have spread their network of branches to all the major cities and some rural areas previously deprived of banking services, develop innovative products and services that attracts target customers and market, continue to develop products and services that reduce our targeted customers and market segments, explore new avenues for growth and profitability. The bank has issued over 45,000 VISA debit cards, making it he leader in the Cards Industry. During review year the bank has appointed 23 additional remittance disbursement agents all over Nepal for speedy distribution of remittances.

Deposit is the major organ of the commercial banks. Higher the deposit higher will be the chances of mobilization of funds. The bank should be very careful while granting loans and advances because loan is the life blood to the commercial banks for the survival. If commercial bank doesn't apply sound investment policy, it will be a great trouble to collect the loan in future. Therefore the bank should invest the money in different sectors after deep study to save the bank from the bankruptcy.

In analysis it shows that the NIBL is successful to collect the deposits by the depositors. The position of deposit collection is increasing and the utilization of these deposits is in favorable condition. The average CD ratio was found to be 32.19 percentages, which is satisfactory. This average credit deposit ratio shows that the NIBL has to be improving to mobilize its collected fund better

and better in future. It is also observed the total credit including (loan & advances and bill discount) supplied by the bank in percentage within 7 years period is bad condition than that the increment in the collection of deposits in the percentage within the same years period due to the few investments in industries and business activities at present. In addition domestic consumption is very low too. Due to this rapid increase in the number of commercial banks in a short span of time the competitiveness has intensified. In the race to capture more market share there have been the consumers as they are getting more service variety, faster services, easier accessibility etc. To attract new customers the bank is going to provide different types of services to customers like develop a customer oriented service culture with special emphasis on customer care and convince, maintain a high quality asset portfolio to achieve strong and sustainable returns and to continuously build shareholders' value etc.

The growth ratio of deposit and credit of NIBL seems medium. Correlation coefficient reveals that there is higher a significant relationship between total deposit and total credits. Correlation coefficient also shows that there is insignificant relation between interest rate and saving deposit but the correlation coefficient shows the significant and also shows moderate degree of correlation.

So it can be concluded that the bank is in moderate condition during the period

of study. It should try to work hard for mobilization of saving and its canalization into different sectors, are professionally managed and competent to ensure adequate rate of return on investment and are strategically well planned to be competitive with other agencies and are trust worthy.

5.3 RECOMMENDATION

On the basis of analysis, findings, issues and gaps of the study, following suggestion or recommendations can be advanced to overcome weakness; inefficiency and top improve present fund mobilization.

The problems related to deposit mobilization have been already discussed. Now at the end of the study the following recommendations can be advanced for the improvement of the deposit mobilization of NIBL.

1. To attract new customer the bank have to come up with new and innovative products matching international standards like new products debit card, master card, mobile banking etc.
2. In order to increase the number of customers and depositors the banks have spread their network of branches to all the major cities and rural areas.
3. In order to increase the number of customers and depositors the banks have to install more ATM's in different branches.

4. Banking with poor (BWP) is an important and development oriented program to eliminate the absolute poverty of the country. The program should launch under the priority sector credit program.
5. The bank must be committed towards the satisfaction of the valued customers by providing modern banking facilities.
6. The bank is equally committed to contribute to the economic growth and development of the country. The bank's efforts are must to be reach very rural and urban corner of the country and develop banking habit among people.
7. Bank has to focus on promoting short term loans and trade finance products.
8. To acquire the market space in today's growing neck cut-throat competition in banking sector, the banking should be customer oriented. It should facilitate customers and should provide easy and quick services in convenient way.
9. Most of the resources are in the hand of NIBLs, some portion of it should be provided to micro finance sector.

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ANNEX I

Industry Indicator

Year/ Mid July	Total Deposit of NIBL	Total Deposit of Commercial Bank	Percentage in Total Deposit of NIBL	Percentage in Total Deposit of Commercial Banks
2002	3,010.00	390,354.00	-	-
2003	1,672.80	189,389.00	(44)	-51.48
2004	2,294.70	212,998.00	37	12.47
2005	3,212.40	114,959.60	40	-46.03
2006	15,200.60	275,598.85	373	139.74
2007	20,434.10	295,849.73	34	7.35
2008	19,414.40	575,218.48	(5)	94.43

Commercial Banks average changes = 22.35

NIBL average changes = 62.2

ANNEX II

Amount Deposited in Current Account of NIBL & Commercial Banks

Year	Current Deposit of NIBL	Current Deposit of Commercial Banks	Percentage Changes in Commercial Banks	Percentage Changes in NIBL
2002	787.5	242,327.00	-	-

2003	979	28,862.50	(88.09)	24.32
2004	1625.1	33,729.90	16.86409701	66.00
2005	1583.2	34,646.40	2.717173783	-2.58
2006	1705.6	37,386.65	7.909191143	7.73
2007	2175.1	42,246.37	12.9985436	27.53
2008	3138.7	56,089.32	32.76719396	44.30

Commercial banks average changes = -2.19

NIBLs average changes = 23.90

ANNEX III

Amount Deposited in Saving Account of NIBL & Commercial Banks

Year	Saving Deposit of NIBL	Saving Deposit of Commercial Banks	Percentage Changes in Commercial Banks	Percentage Changes in NIBL
2002	1276.7	83855.6		
2003	2433.9	97238.9	15.96	90.64
2004	4922	114137.2	17.38	102.23
2005	6703.5	12995	-88.61	36.19
2006	8082	151639.4	1066.91	20.56
2007	10742.2	165491.76	9.14	24.76
2008	13688.8	211452	27.77	21.53

Commercial Banks average changes = 149.8

NIBL average changes = 42.3

ANNEX IV
Amount Deposited in Fixed Account of NIBL & Commercial Banks

Year	Fixed Deposit of NIBL	Fixed Deposit of Commercial Banks	Percentage Changes in Commercial Banks	Percentage Changes in NIBL
2002	945.9	64171.4		
2003	1672.8	63287.6	-1.4	76.85
2004	2294.7	65130.9	2.9	37.18
2005	3212.4	67318.2	3.4	40
2006	5413	86572.8	28.6	68.5
2007	7516.8	88111.6	1.8	38.9
2008	7944.2	104772.48	18.9	5.7

Commercial Banks average changes = 4.79

NIBL average changes = 38.16

ANNEX V

Growth Ratio of Total Deposit

$$D_n = D_0(1+g)^{n-1}$$

Where, D_n = Total amount in nth year

D_0 = Total amount in initial year

g = Growth rate of amount

n = Total no. of years during the study period.

Year	Total Deposit
2002	3010.1
2003	5085.7
2004	8841.8
2005	11499.1
2006	15200.6
2007	20434.1
2008	19414.4
Growth Rate	37%

$$D_7 = D_0 (1+g)^{7-1}$$

$$19414.4 = 3010.1 (1+g)^{7-1}$$

$$(1+g)^6 = 6.56$$

$$1+g = 1.37$$

$$g = 37 \%$$

ANNEX VI

Growth Ratio of Total Credit

Year	Total Credit
2002	2977.7
2003	7687.5
2004	11462.6
2005	14564.2
2006	18844.2
2007	24287.7
2008	34408.7
Growth Rate	50%

$$D_7 = D_0 (1+g)^{7-1}$$

$$34408.7 = 2977.7 (1+g)^6$$

$$(1+g)^6 = 11.555$$

$$1+g = 1.50$$

$$g = 50\%$$

ANNEX VII

Calculation of correlation between Total Deposit and Total Credit

Year	Total Deposit (X)	Total Credit (Y)	x = X - \bar{X}	y = Y - \bar{Y}	xy	x ²	y ²
2002	3010.1	2977.7	-8916.44	-13341.24	118956429.58	79502953.22	177988760.97
2003	5085.7	7687.5	-6840.84	-8631.44	59046344.22	46797131.00	74501805.80

2004	8841.8	11462.6	-3084.74	-4856.34	14980568.94	9515638.49	23584065.95
2005	11499.1	14564.2	-427.44	-1754.74	750052.30	182707.40	3079122.49
2006	15200.6	18844.2	3274.06	2525.26	8267836.19	10719450.17	6376923.64
2007	20434.1	24287.7	8507.56	7968.76	67794656.75	72378528.54	63501090.40
2008	19414.4	34408.7	7487.86	18089.76	135453517.23	56068004.59	327239313.49
	83485.8	114232.6			405249405.21	275164413.42	676271082.74

Now, we have

$$\bar{X} = \frac{83485.8}{7} = 11926.54$$

$$\bar{Y} = \frac{114232.6}{7} = 16318.94$$

$$\sum xy = 405249405.21$$

$$\sum x^2 = 275164413.42$$

$$\sum y^2 = 676271082.74$$

Correlation coefficient can be calculated by using following formula,

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

$$= \frac{405249405.21}{\sqrt{275164413.42 \times 676271082.74}}$$

$$= \frac{405249405.21}{431376559.1}$$

$$r = 0.94$$

$$r^2 = 0.8836$$

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

$$= 0.6745 \times \frac{1-0.8836}{\sqrt{7}}$$

$$= 0.03$$

$$6 P.E.(r) = 0.18$$

ANNEX VIII

Calculation of correlation between Interest Rate and Saving Deposit of NIBL

Year/ Mid July	Interest rate (X)	Amount (Y)	$x = X - \bar{X}$	$y = Y - \bar{Y}$	xy	x^2	y^2
2002	3.5	1276.7	1.3	-4039.9	-5274.27	1.70	16320522.68
2003	3.5	2433.9	1.3	-2882.7	-3763.48	1.70	8309767.11
2004	2.75	4922	0.55	-394.6	-217.01	0.30	155682.85
2005	2.5	6703.5	0.3	1386.9	416.08	0.09	1923584.07
2006	2.5	8082	0.3	2765.4	829.63	0.09	7647621.52
2007	2.5	10742.2	0.3	5425.6	1627.69	0.09	29437497.07
2008	2.5	13688.8	0.3	8372.2	2511.67	0.09	70094290.99
	19.75	47849.1			-8009.05	4.07	133888966.30

Now, we have

$$\bar{X} = \frac{19.75}{7} = 2.8$$

$$\bar{Y} = \frac{47849.1}{7} = 6835.6$$

$$\sum xy = -10438.97$$

$$\sum x^2 = 1.34$$

$$\sum y^2 = 117737034.23$$

Correlation coefficient can be calculated by using following formula,

$$\begin{aligned}
 r &= \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} \\
 &= \frac{-10438.97}{\sqrt{1.34 \times 117737034.23}} \\
 &= \frac{-10438.97}{12557.2} \\
 r &= -0.831
 \end{aligned}$$

$$\begin{aligned}
 r^2 &= 0.69 \\
 \text{P.E.}(r) &= 0.6745 \times \frac{1-r^2}{\sqrt{n}} \\
 &= 0.6745 \times \frac{1-0.69}{\sqrt{7}} \\
 &= 0.6745 \times 0.117 \\
 &= 0.08
 \end{aligned}$$

$$6 \text{ P.E.}(r) = 0.48$$

ANNEX IX

Calculation of correlation between Interest Rate and Fixed Deposit of NIBL

Year/ Mid July	Interest rate (X)	Amount (Y)	$x = X - \bar{X}$	$y = Y - \bar{Y}$	xy	x^2	y^2
2002	5	945.9	0.61	-2431.60	-1476.33	0.37	5912678.56
2003	5.25	1672.8	0.86	-1704.70	-1461.17	0.73	2906002.09
2004	4	2294.7	-0.39	-1082.80	425.39	0.15	1172455.84
2005	3.75	3212.4	-0.64	-165.10	106.14	0.41	27258.01
2006	3.75	5413	-0.64	2035.50	-1308.54	0.41	4143260.25
2007	4.5	7516.8	0.11	4139.30	443.50	0.01	17133804.49
2008	4.5	2586.9	0.11	-790.60	-84.71	0.01	625048.36
	30.75	23642.5			-3355.73	2.11	31920507.6

Now, we have

$$\bar{X} = \frac{30.75}{7} = 4.39$$

$$\bar{Y} = \frac{23642.5}{7} = 3377.5$$

$$\sum xy = -3355.73$$

$$\sum x^2 = 2.11$$

$$\sum y^2 = 31920507.6$$

Correlation coefficient can be calculated by using following formula,

$$\begin{aligned} (r) &= \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} \\ &= \frac{-3355.73}{\sqrt{2.11 \times 31920507.6}} \\ &= \frac{-3355.73}{\sqrt{90298701.61}} \\ &= \frac{-3355.73}{8206.8} \end{aligned}$$

$$r = -0.409$$

$$r^2 = 0.167$$

$$\begin{aligned} P.E(r) &= 0.6745 \times \frac{1-r^2}{\sqrt{n}} \\ &= 0.6745 \times \frac{1-0.167}{\sqrt{7}} \\ &= 0.6745 \times 0.314 \\ &= 0.21 \end{aligned}$$

$$6P.E(r) = 1.26$$