

CHAPTER: ONE

INTRODUCTION

1.1 General background of the study

A bank is an institution, which deals in money, receiving it on deposit from its customers, honouring customer's drawings against such deposits on demand, collecting cheques for customers and lending or investing surplus deposits until they are required for repayment. In the present days, various types of banks are established, for instance, industrial banks, commercial bank, agricultural bank, joint stock bank, co-operative and development bank. Modern banks are more advanced than the ancient ones. This is because of the growth in population, changes occurred in the industrial field and trade, the beginning of the competitive age and changes in the people's ideology and due to the dependence on each other.

In fact, the present banking system is the result of the development of many centuries. When we talk of the wonderful scientific inventions, banking also comes to be as a wonder of the modern world. It would also be necessary to see as to how the banking has come to its present stage and despair through which the banking system had to pass to come to its present stage.

Generally, an institution established by law, which deals with money and credit is called bank. It is obvious that in a common sense, an institution involved in monetary transaction is called bank. A bank simply carries out the work of exchanging money, providing loan, accepting deposit and transferring the money. Banks are the institution which accepts deposits from the public and turns into advances loans by creating credit. They pool together the savings of the community and arrange for their productive use. They supply the financial needs of the people and modern business by various means.

Development of the banking sector is important for the development of the country. Credit requirement is increasing day by day. To meet this increasing credit requirement competitive banking service should reach every corner of the country. Nepal Rastra Bank has adopted liberal policies and provided many facilities to probable bankers of Nepal and abroad through new commercial bank act 1974 A.D. The main challenges to the banks at present are the competition.

The present development and remarkable progress is not the optimum aim of the banking industry. The continuous changes which is taking place in the economic and financial milieu of the country, the area needing special attention for the improvement in the banking sector are the following:-

- Ensuring that the banks attract the quality management and services.
- Protecting and building up their deposit base.
- Building their capacity for creating products in different areas of operation.
- Strengthening their ability to manage credit in a sound way as well as maintaining compatibility to the privatization, joint ventures, industrial policies of the country etc. and
- Enhancing their ability for providing services as per customer needs.

Various authors have defined the word 'bank' in different ways:

According to Kent, "A bank is an organization whose principle operations are concerned with the accumulation of the temporarily idle money of the public for the purpose of advancing to other for expenditure" (Vaidya, Shakespeare, 1997:26).

Sayers defined the bank as, "Ordinary banking business consists of changing cash for bank deposits and bank deposits for cash; transferring bank deposits from one person or corporation to another; giving bank deposits in exchange for bills of

exchange, government bond, the secured or unsecured promises of businessman to repay, etc” (Vaidya, Shakespeare, 1997:26).

Commercial banks are those banks which perform all kinds of banking functions as accepting deposits, advancing loans, credit creation and agency functions. They utilize maximum resources and increase in non- cash reserve transaction to reduce the spread between interest rates on deposits and credit. They deploy funds raised from different sources into different assets with a primary objective of profit generation.

Economic development and poverty alleviation of the country is also facilitated through providing credit facilities, quality banking services to the people both business community as well as common people. Desired economic growth of the country is possible through the combined efforts of all types of banks and financial institutions supported by the dynamic policy of the central bank.

Marketing department is one of the important departments which play an important role in attracting new customers. It has been considered as an important department of bank because it attracts new customers. This department provides different product and services to the people. Marketing helps not only in the sector of collecting deposits but it also helps in providing loans and other facilities and even different schemes in the market. Marketing department is always in touch with the clients. It offers different new services to meet to their changing needs.

Marketing department is an active department of a bank. It visits different clients in order to study about their problems, expectation etc. After the visit the client, a visit memo is prepared. This document describes client’s environment and client’s expectation. This visit is made in order to know about them and so that bank could offer proposal as the expectation of the clients. The conclusion is focused on

advantages that bank can take from the relationship. Marketing department of bank introduce different schemes in the market desired by the customers.

Many facilities can be proposed to client. Some of the facilities are as follows:-

- Mobile banking service
- Corporate (separate) counter facility
- Tele- banking facility i.e. consultation of your balance by telephone (protected by password); ordering statement of account by telephone
- Incoming and outgoing telex transfer for free
- Purchase of personal cheques / traveler cheques will be done free of cost
- Insurance of travelers cheque for free
- Insurance of convertible currency draft for free
- An attractive rate of exchange while buying US \$
- Loan facilities etc.

Loan is provided by different mortgage company, bank, finance company etc. They are the lender who provide loan to the customers. Guaranty on the loan protects the lender against loss if the payments are not made. This is intended to encourage lenders to offer various loans with more favourable terms. The word investment sounds very good, attractive and prestigious too. It is the well known fact that every people of the world like the word “investment”. In layman’s sense there is always a return in investment. But the word investment conceptualized income, savings or the collected fund the term investment covers a wide range of activities. It is commonly known fact that an investment is only possible where there are adequate savings. Therefore, the word saving and investment are interrelated.

The word saving and investment are related with each other but both has different meaning. Saving is defined as foregone consumption where as investment is restricted to real investment of the sort increase output in the future.

In the simple word investment is related with the use of the funds. In another words it is the use of saving funds into productive or profitable opportunities to get fair rate of return. Investment is concerned with the management of an investor's wealth. They are invested to increase the wealth. Investor also seeks to manage their wealth effectively. Investment is the use of the money to earn income or profit. Many people invest part of their income for the future financial gain.

Many people deposit their money in the saving account. These savings promotes the economic growth of the country and even contributes to a nation's wealth. For example the bank may invest by lending the funds of various business and equipment to increase their production. In addition to borrowing from the banks, most companies issue stocks and bonds that they sell to investors to raise capital needed for the expansion of the business. Government also issue bonds to obtain funds to investing such projects as the construction of dams, roads and schools. All such investment by individuals, business and government involves a present sacrifice of income to get an expected future benefits. As a result investment raises a nation's standard of living.

1.2 Company profile

There has been the establishment of many commercial banks hence the research has taken into consideration of Himalayan Bank Limited (HBL) and Everest Bank Limited (EBL). Therefore, the short glimpses of these commercial banks are given as follows:

HIMALAYAN BANK LIMITED

Himalayan Bank was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the cut-throat competition in the Nepalese banking

sector, Himalayan Bank has been able to maintain a lead in the primary banking activities- Loans and Deposits.

Legacy of Himalayan lives on in an institution that's known throughout Nepal for its innovative approaches to merchandising and customer service. Products such as Premium Savings Account, HBL Proprietary Card and Millionaire Deposit Scheme besides services such as ATMs and Tele-banking were first introduced by HBL. Other financial institutions in the country have been following HBL lead by introducing similar products and services. Therefore, HBL stand for the innovation that was brought in this country to help customers besides modernizing the banking sector. With the highest deposit base and loan portfolio amongst private sector banks and extending guarantees to correspondent banks covering exposure of other local banks under its credit standing with foreign correspondent banks, HBL lead the banking sector of Nepal. The most recent rating of HBL by Bankers' Almanac as country's number one bank easily confirms its claim.

All branches of HBL are integrated into Globus (developed by Temenos), the single banking software where the bank has made substantial investments. This has helped the bank to provide services like 'Any Branch Banking Facility', Internet Banking and SMS banking. Living up to the expectations and aspirations of the customers and other stakeholders of being innovative, HBL very recently introduced several new products and services. Millionaire Deposit Scheme, Small Business Enterprises Loan, Pre-paid Visa Card, International Travel Quota Credit Card, Consumer Finance through credit card and online TOEFL, SAT, IELTS, etc. fee payment facility are some of the products and services. HBL also has a dedicated offsite 'Disaster Recovery Management System'. Looking at the number of Nepalese workers abroad and their need for formal money transfer channel; HBL has developed exclusive and proprietary online money transfer software- HimalRemitTM. By deputing its own staff with technical tie-ups with local exchange houses and banks, in the Middle East and Gulf region, HBL is the biggest inward remittance handling bank in Nepal. All this only reflects that HBL

has an outside-in rather than inside-out approach where customers' needs and wants stand first.

HBL is not only a Bank, It is committed Corporate Citizen

Corporate Social Responsibility (CSR) holds one of the very important aspects of HBL. Being one of the corporate citizens of the country, HBL has always promoted social activities. Many activities that do a common good to the society have been undertaken by HBL in the past and this happens as HBL on an ongoing basis. Significant portion of the sponsorship budget of the bank is committed towards activities that assist the society as large.

The Bank's Vision:

Himalayan Bank Limited holds of a vision to become a leading bank of the country by providing premium products and services to the customers, thus ensuring attractive and substantial returns to the stakeholders of the bank.

The Bank's Mission:

The bank's mission is to become preferred provider of quality financial services in the country. There are two components in the mission of the bank; Preferred Provider and Quality Financial Services; therefore HBL believe that the mission will be accomplished only by satisfying these two important components with the customer at focus. The bank always strives positioning itself in the hearts and minds of the customers.

Currently HBL Head office is at Tridevi Marga, Thamel and has 14 branches in the various parts of the kingdom of Nepal. HBL operated with the objectives of providing the full range of quality banking services to the business, community and common man.

Himalayan Bank Limited:

Head office and main branches at Thamel, Kathmandu Nepal

List of 14 branches:

1. Maharajgunj Branch
2. New Road Branch
3. Bhaktapur Branch
4. Patan Branch
5. Tandi Branch
6. Narayangard Branch
7. Birgunj Branch
8. Hetauda Branch
9. Sidharthanagar Branch
10. Biratnagar Branch
11. Banepa Branch
12. Dharan Branch
13. Pokhara Branch
14. Butwal Branch

EVEREST BANK LIMITED

Everest Bank was established in 1995 in joint venture with Punjab national bank of India. Despite of the cut-throat competition in Nepalese banking sector, Everest Bank has been able to maintain its position in the market.

Human Resource's Development

The staff strength of the bank at the end of the financial year 2062/63 was 306, which has now gone upto 393 (excluding the seconded staff from PNB). It is the

considered view that the progress and success of any organization depends upon the knowledge, skills and motivational level of its work force. The bank has been taking keen and special interest in the development of its human resources. Training in various aspects of banking and relevant subjects has been provided by bank. In order to bring positive swing in the working attitude the bank has been conducting special program on management development.

Future strategic plan of the bank

Everest bank has been growing on an average at 29% per annum against 9% for the banking system in the country. For sustained growth in the future, the focus will be in following areas:-

- Increase in branch network
- Increase customer base by upgrading information technology initiatives to reduce transaction time and cost of transaction and providing alternative delivery channels.
- To increase customer base in low cost deposits with a view to reduce average cost of deposits.
- To increase average yield on advances by aggressive marketing of retail lending schemes.
- Recruit ideally suitable manpower and train them according to their responsibilities.

Board of directors

- | | |
|-----------------------------|------------|
| 1. Mr. B.K Shrestha | - Chairman |
| 2. Mr. Ved K. Shrestha | - Director |
| 3. Mr. Arun Man Sherchan | - Director |
| 4. Mr. Dr. Bal Gopal Vaidya | - Director |
| 5. Mr. Indra Dev Singh | - Director |
| 6. Mr. Jaspal Singh Jash | - Director |

- | | |
|------------------------------|------------|
| 7. Mr. Nabin Bhakta Shrestha | - Director |
| 8. Mr. Shivasharan K.C. | - Director |
| 9. Mr. Ratna Sansar Shrestha | - Director |

List of branches

1. Naya Baneshwor branch
2. Lazimpat branch
3. Satungal branch
4. Biratnagar branch
5. Janakpur branch
6. I.C.D. branch
7. Butwal branch
8. New Road branch
9. Chabahil branch
10. Pulchowk branch
11. Duhabi branch
12. Birgunj branch
13. Baglung branch
14. Teku branch branch
15. Naya Bazar branch
16. Itahari branch
17. Simra branch
18. Pokhara branch
19. Dhangadhi branch
20. Bhairahawa branch
21. Nepalgunj branch
22. Birtamod branch

1.3 Focus of the study

This study is focused on the consumer loan in the market. Therefore, to provide basic and necessary information about consumer loan process, the current study is forwarded. This current study will help to know the increasing need of loan for the consumer for many purposes. The effectiveness of consumer loan in the market will be studied by this study. In today's competitive market bank, has introduced different products to the customer in the market. This study will analyze how far banks are achieving their goals in meeting customer needs and satisfaction. It focuses on the status and the practices of consumer loan offered by banks in the competitive market. The focus of the study is on the consumer loan in the market which shows the impact of consumer loan and also analyzes to meet the requirement of consumer with these products.

1.4 Statement of the problem

Nepal is one of the developing countries where most of the resources have remained unused. This is due to the economic condition of the country. In Nepal, economic condition is unsteady which acts as a constraint for its development. Lack of finance is a major reason which constrains the development of a country. Inadequacy of finance can be removed by the participation of foreign investors in the commercial banks to some extent. Many joint venture banks are established which have helped to remove this problem.

Banks are providing different loan facilities to the people. They are providing home loan, vehicle loan etc. Various loan facilities are provided by bank but most of the people are not utilizing it. They are unaware about its procedure and techniques. They are unknown, how to apply for consumer loan. They don't know how to utilize it and even don't know how effective it will be in the needy time. Banks are keeping concern to the needs of consumer, introducing different types

of consumer loan in the market. It is good and positive matter to all Nepalese that they can get loan from the bank.

The present study intends to explore the following basic research questions:

- What is the impact of consumer loans?
- What is the performance of the consumer loan practices of HBL and EBL?

1.5 Objectives of the study

The main objective of the present study is to evaluate the consumer loan in the market. In accordance to this main objective the study will try to meet the following objectives.

- To analyze the impact of consumer loan in the market.
- To assess the performance of consumer loan practices of HBL and EBL.
- To suggest ways for further improvement of consumer loans in the market.

1.6 Significance of the study

Commercial bank has greater contribution in the societal banking sector in Nepal. These banks have different function. Marketing of the bank had an important role and has many functions. One of the important functions of this department is consumer loan. Marketing department has keep concern towards the requirements of the consumers so they introduce different schemes and facilities for the consumers. This helps them to get financial support whenever required by the consumer with very reasonable interest rate and service charge. If the consumer can use these benefits in the market it will be advantageous for both the parties as well. As we know the competition in the today's world is growing day by day, there is competition in banking sector too. To compete in this competitive environment, banks are fully focusing to the consumer need and the requirements.

Therefore, they are offering new schemes and services to the consumer. It has been very important these days to study consumer in the market. This study will help to know, how far the banks are achieving its goal and to analyze the satisfaction of consumer needs and demands.

1.7 Limitations of the study

This study is surrounded by some limitations. The main limitations of this study are as follows:-

- i. This study focuses only consumer loan in the market.
- ii. This research is centered on the marketing department of HBL and EBL.
- iii. The study is limited to the Kathmandu valley consumers only.

1.8 Organization of the study

The scheme of the study is classified into five different chapters. They are:-

- i. Introduction
- ii. Review of literature
- iii. Research methodology
- iv. Data presentation and analysis
- v. Summary, conclusion and recommendation

The first chapter is introduction chapter. It includes general background of the bank and its marketing departments, company profile, introduction on the subjects, focus of the study, statement of the problem, objectives of the study, limitation, scope, research methodology and organization of the study.

The second chapter is review of literature which includes conceptual frame work of the subject matter that is consumer loan. It studies the role of effectiveness of consumer loan in the market.

The third chapter expresses the way and techniques used while studying that is applied in the research process. It includes design of research, nature, source of data, method of data collection, tools used for analysis and presentation.

The fourth chapter where data collected from various sources are analyzed and presented by using proper statistical tools. It mainly consist the analysis of market of consumer loan and its impact.

The last chapter is concerned with the output of this thesis as summary, conclusion and findings from the analysis of data and recommendation for the further improvement.

CHAPTER: TWO

REVIEW OF LITERATURE

2. Review of Literature

Review of literature is an essential part of all studies. It is a way to discover what other research in the area of our problem has uncovered. It is also a way to avoid investigating problems that already been definitely answered. Hence, review of literature means research studies or other relevant propositions in the related area of the study so that all the past studies, their conclusions and deficiencies may be known and further research can be conducted.

Every study is very much based on past knowledge. The past knowledge or the previous studies should not be ignored as it provides foundation to the present study. Therefore, this chapter has its own importance in study. In this section on review of literature to know what others have done, related to investment policy of commercial banks in Nepal, only the relevant literatures have been reviewed. Every possible effort has been made to grasp knowledge and information that is available from libraries and the documents available from the concerned commercial banks (i.e. HBL and EBL). This chapter helps to take adequate feedback to broaden the information base and inputs to our study. In this chapter inputs are received from the books, reports, articles, research papers, thesis and acts. These inputs are divided into two parts. They are:

1. Review of Conceptual Framework
2. Review of Related Studies

Review of Conceptual Framework

In this part of review we are going to conduct various aspects of consumer loan in order to highlight brief profile of the bank separately.

2.1.1 Concept of Consumer Loan

The financial institutions/banks are establishment to make the relationship between public and government. Different banks and financial institutions used to collect money from the public and disburse it to the government and local people. The amount of money disbursed by the bank is known as loan. Bank also used to charge money in terms of interest while providing loan to different sectors. It takes charges while providing loan which is known as interest. Interest plays an important role while disbursement of loan. Basically the rate of interest is determined through highly competitive environment between loan taker and giver.

A sum of money disbursed by the bank or financial institution to different party, institution, organization with the limitation of certain time and also charging reasonable price for that sum of money is known as loan. Definition of loan can be given in following sentences:-

- The temporary provision of money (usually at interest) is known as loan.
- The principle or amount of total borrowed money i.e. repaid with interest is loan.
- Loan is the money lent to a borrower that must be repaid with interest.
- A sum of money lent by one person or organization to another usually with interest is loan.

Loan management is especially focused on the management of loan disbursement and collection procedures, controlling and monitoring activities. Here planning denotes consideration of risk and return to meet profit objectives along with division of loan assets among consumer, commercial and mortgage loan.

Controlling entails making and monitoring loan as per deadlines supported by corrective actions to be taken in granting loans if necessary.

Loan management in the banking sectors and its methodology is regarded very important. Under the consumer loan management concept, many subject matters like policy of loan flow, loan administration, audit of loan, renewal of loan, conditions of loan flow, the provision of the payment of the capital and its interest, the provision of security and other such procedures should be considered and thought.

Credit policy of banks plays an important role in the management of the consumer loan. In fact it is a very sensitive subject that what sort of credit policy a bank should have. So, the bank should pay more attention to the loan and advances that it provides. The commercial banks are inspired with the motive of gaining profit. To fulfill this objective, they should widely manage and improve its banking sector. They must pay more attention to the flow of the loan. Regarding loan policy, it should make clear to its policy and view. The bank should follow the credit policy which would match the economic policy of Nepal Rastra Bank to gain more and more profit. The bank should always pay its attention to make its investment wide and to lead the bank towards the way of economic consolidation by creating the good environment to recover the amount invested with the interest.

A bank has to follow a cautious policy to provide loan to their customers. Nowadays, the purpose for which loans are granted has acquired precedence over the principle of security. The security offered against a loan can be of various types. It may vary from piece of land or building to a commercial paper or bullion. A bank should be ensured that the security when accepted must be adequate, readily marketable, easy to handle and free from encumbrances. If a loan is required for a non – productive or speculative purpose, a banker will be reluctant to entertain the proposal. But loans for social functions, ceremonies,

pleasure trips or for repayment of prior loans are not favored by a bank as they are unproductive in nature.

2.1.2 Criteria for providing loan

A bank has to set criteria for providing loan. Persons who come to bank for the purpose of demanding loan, the bank should not provide loan of random choice, not by examining and investigating. If loan is provided without proper investigation it will lose the principal and interest. Therefore, the bank always has to follow some criteria for providing loan. These are as follows:-

i. Personal character:

Before providing loan, a bank should make an inquiry and examination of a person who comes to the bank with the proposal of loan. Though it is very difficult to find out true character of a person, it must be checked out. The bank should study whether the person has good character with intention to pay the loan or not, whether he is a person of criminal nature or not, whether a creditor has filed a petition against him in the court for recovery of debt or not. If the person is doubtful in nature, character and the bank has uneasiness to trust him, if so, it should not accept the proposal of loan. If he possess good character and other criteria are satisfactory to the bank, it should accept the proposal.

ii. Capacity of competency:

First of all, it should be checked out whether the person is a person capable under law to make a contract with bank or not i.e. according to the contract Act 2056. If he is a capable person, there after the bank should know what kind of qualifications the proposal maker does have and in which subject or business he is related with, whether he has skill in that business or not. Under this heading the

bank should carefully examine all the things, which are relating to capacity of borrower.

iii. Capital:

If any person or businessman comes to make a proposal for loan in a bank, economic condition should be examined. His demand for money should be matched with the status of his household condition, how much the sum of money he wants to invest in his business. If the economic condition of the proponent is poor or less, or inferior to the amount for loan, the bank should reject his proposal. In brief, the quantity of amount of proponent financial condition or capital should be stronger than the quantity of amount demanded.

iv. Security:

Security is considered the most important thing of the criteria while providing loan by a bank. It should not provide loan without security. The securities too are of many kinds. Preference should be given to the security, which can be sold immediately in the market. It should flow loan, only after considering what sort of business of the proponent and what type of his property of security that is proposed etc. If the person is not capable to give security or if the loan proponent proposes low quality of security and it can't be satisfactory to the bank. It should not accept the proposal of loan from the proponent. There must be good security.

v. Credit information:

The bank should find out the credit information of the person or businessman who comes to request for a loan. Credit information such as: the loan proponent's character, the securities given to the bank, the detail of the property and their reality, a bank can get all information about loan proponent and businessmen. It can be great help to the bank. It is difficult for bank to find out real condition of the loan proponent. Hence, it is easy to know the condition of loan proponent

from the persons or businessmen working together in the related sector whether the loan proponent is black listed for not paying the debt (loan) or not, how much trustworthy these concerns. It can be understood through the medium of information. There will be no problem in providing the loan, if the information received is satisfactory. If the information received is not positive the bank should reject such proposal. Therefore, the bank should make a decision on whether to provide the loan or not only after analyzing the documents that the proponent submits to the bank. Credit information is one of the criteria of providing loan to a borrower.

vi. External Environment:

Before providing loan, a bank always should evaluate the external condition or environment of the industry, business shown by the loan proponent, whether the business shown by the proponent is saleable or useable in the market or not, the proposal of loan proponent should not be approved, though the above mentioned five grounds are received satisfactory by the bank. Because, a businessmen can't gain profit from the financial position whose may deteriorate. Therefore, while providing loan, it should study the external environment too. In the business communities, an external environment can be taken as an essential factor (Bhandari, Dilli Raj, 2003:173-175).

2.1.3 Loan approval process

The loan approval process and working method of a bank are really important. The persons or the business organization come to borrow loan so, a bank should know the process and working method about it. A bank provides loan to its customers. It has many types of customers with different nature. There may not be the same process/method for all kinds of loans. The process to accept loan for the common people and the process to approve the loan to the industry, businessmen or merchants are different. The process of bank may be different in approving the

loan for primary sector and for bigger projects. The bank makes special types of study, research and analysis before providing loan. It makes supervision and inspection in such project even after providing the loan. Behind it, there are two fundamental reasons: first the bank wants to be more secure to its investment and second it grows the quantity of loan. From the viewpoint of both principle and practice, the loan approval process of bank is as follows:

i. Evaluation of Loan Proposal:

After a proposal is submitted by a person, and institution, project, bank makes a deep study and analyze from different angles on the proposal. Before approving the loan proposal the bank evaluates all necessary documents for providing loan. In the case of person or businessmen the study of such documents are different. It will be accepted or rejected depending on the will of the bank. If the bank feels the loan proposal satisfactory, it can approve the loan accordingly.

ii. The Types of Loan:

After accepting the proposal of a borrower, the bank discusses on these subjects, what types of loan the projector or the person wants. Surely, the nature of the loan differentiates from proposal of the proponent. In this way, it becomes the division of the loan. Generally, there are many types of loan like social loan, business loan, primary sector loan, industrial loan, hire purchase and employees loan etc. The loan can be classified in another way too like secured loan and unsecured loan. The bank wants to keep its loan safe. So, the banks can classify loan in this way. Yet, it does not classify loan in unnatural way. The loan can be classified in the process of approving the loan.

iii. Determination of Loan Amount:

After classifying the loan category, a bank determines the limitation of a loan. In fact the proponent writes in his proposal, what amount of loan the customer is needed. The bank may or may not give the amount, which proponent has demanded. It is the matter depended on the will of the bank. Yet, in determination of loan quantity is made by paying attention to the need of the customer, evaluation of the securities and the state and position of the business.

iv. Preparation of Necessary Document:

The bank should prepare some documents while providing loan to the loan proponent. Only after preparing the legal documents, an evidence of borrowing loan is given to the creditor. It becomes the evidence of the loan taken by borrower. The loan bond and the documents related to security are of such documents.

v. Loan Acceptance Charge:

After completing all processes, the bank decides to provide loan to loan proponent. According to this decision, the bank opens an account in the name of borrower, deposits the proposed loan in it. According to the provision of the loan document, borrower can withdraw the money from the bank. But sometimes, such a situation may be created that the borrower doesn't take the loan after the loan is accepted by the bank. In such condition, the bank can recover the charge from the proponent if he does not take the loan because the bank can't withdraw that amount until the period is not ended. The cash remains in unproductive form in the bank. Therefore, the bank takes that charge for accepting that loan (Bhandari, Dilli Raj, 2003:175-177).

2.1.4 Loan Administration

As His Majesty's Government has many ministries, department offices and institutions, the bank too has its administrative departments. Under the administration department, there are various departments, according to the nature of the work. It is considered very important. Generally, there are loan departments, loan administration section. They try to operate all the functions and transaction related to loan. From primary stage of providing loan to the loan recovery stages, all acts or transactions that are carried out by this department. This department does not work alone. It discharges the work of its sector with the help of the persons related to different sectors. It has to get the help of the legal department or section. This department performs the two tasks of providing loan and recovering the loan. A bank should not keep the cash inactive. After keeping necessary cash stock in the bank, it should follow the policy to flow rest of the amount to the productive and profitable sectors. While doing so, it should be very careful and sensitive. Therefore, this department is established separately. Success and failure of a bank depends on the role of this department.

1. The Management for Providing Loan:

The following functions fall under the management for providing loan.

i. Proposal for loan:

The bank should pay special attention to the methods applicable to provide loans. The loan department should keep the printed loan proposal document ready for its customers. Necessary things should be described in it. The bank should keep such forms in numerous numbers. If any new or old customer comes to the bank with loan proposal, the bank should provide that form to that person or institution. The loan proponent should read carefully, if he doesn't understand, he should ask the related bank officials. It should clearly state necessary things, for example the name of proponent, his occupation, address, kind of loan he has demanded,

quantity of amount and the statement of securities etc. After filling up all these things, it should be given to the official of the loan administration department who examine these documents. The employee who checks that form should examine it carefully to see whether it is filled by the loan proponent properly or not.

ii. Deed of loan:

The loan administration department prepares the deeds of loan to provide the loan. Similarly, it prepares other necessary documents also. These deeds of loan are also called loan contract. Deed of loan may be called by any name. The bank does not flow loan without deed of loan. Many things are written in deed of loan. It contains things like the quantity of loan, interest rates, the date of loan recovery, the name, address and year of loan proponent, the date of deed of loan etc. Such deed has to be got registered from the related office. But registration is not required for agriculture, the rural and cottage industries, irrigation, electricity, production and other any business, for which government has prescribed the maximum amount up to one million which is provided to the Nepalese citizen and the institution established with the existing Nepalese law; It is stated clearly in the Commercial Bank Act 2031 (1974).

iii. Securities:

A bank should accept such securities, which would provide safety to its loan. It should not provide loan without taking any reliable securities such as: moveable and immovable properties. Its money will be not recovered, if it provides loan without security. Also, it should examine the kind and nature of the security. Security means an asset or document relating there to or any other security acceptable to the bank, which can be pledged collaterally under prevailing Nepalese law while obtaining or providing loans. The bank can provide loan through securities in the assets both the moveable and immovable property. It should give loan against securities, which are acceptable to the bank.

iv. Granting loan on the basis of Guarantee:

While giving a loan, a bank can give loan by taking acceptable securities from the moveable and immovable assets of the third person or on the basis of a contract concluded between the surety and the bank. Such deed can be made in the condition, if the securities shown by the debtor are not acceptable for the bank or it is less or there is no moveable property and assets as securities. The bank can provide loan, taking securities of a third person's property. But all legal process related to it, should be fulfilled.

v. Commitment Deed:

A bank, after discussing, studying and appraising the loan proposal of proponent, accepts the proposal then in addition to other deeds; the loan administration department prepares separate commitment deed to be signed by the debtor. It sets loan conditions and the rules of banks to be followed by the borrower.

vi. Contract of Indemnity:

In the process of providing loan, the loan administration department prepares the contract deed of indemnity too. The loan proponent should sign in it and impress his thumbs over it. Such deed or contract gives mental pressure to the debtor to pay the debt. If the debtor breaks the condition, he should pay the damages for it to the bank. From this contract, it forces the debtor to follow the term and condition legally.

vii. Invoice:

The loan proponent should submit all bills related to business or industry, voucher letters, catalogue and other such types of documents in the time of the bank's demand. This is the liability of the debtor.

The loan administration departments perform the above mentioned functions of providing loan. The process and methods, to be followed while providing loan, should be followed according to the law in a proper manner.

2. The Management for Loan Recovery:

After loan is provided, there is a mechanism to recover interest and principal. It is necessary to know all functions wise methods, which are to be followed after the grant of loan. It is really important subject matter. The bank wishes that all the debtors could utilize the loan in the proper places. It is beneficial to both the bank and the debtor. The following processes are continued until its interest and principal is recovered:

i. Audit of Credit:

A bank wants his debtor to use the loan in proper places, after it provides loan, as far as possible. With the intention of this objective, the bank performs audit of the loan. A bank studies all these things, whether the bank loan is properly utilized or not, what is the state of the financial condition. The objective of such audit is to be in direct connection with the borrower until the loan is recovered. From such link, the economic condition of the debtor, the proper use of the loan and the statement of the loss and gain can be known. Thus, the audit is done from time to time by the bank, in addition to other function to find out a picture about loan utilization, is called audit.

ii. Recovery of Interest on Loan:

After a loan is provided, the borrower should pay his interest in the time written in deed of loan. It is the liability of borrower. The terms and conditions are written in deed of loan. The date of the recovery of the interest and principal of the loan is fixed according to nature of the business and industry. The borrower should go on paying the interest and principal from time to time, written in deed of loan and in the time given by the bank. If he/she does not pay the interest and loan within the date specified in the deed, the bank goes on adding interest according to bank's rule. It begins to take interest of interest if the borrower doesn't pay the interest and loan in the fixed time.

iii. Loan Recovery Process:

The bank recovers the loan provided by it on the basis of terms and conditions fixed in the deed of loan. If it is written in the loan deed to recover loan on installment basis or on fixed lump sum basis, it should be paid accordingly. It recovers the loan accordingly, if the situation goes beyond control of the borrower. The date of loan recovery can be extended, if he/she makes another agreement with the bank. To do so there is another process. But such things depend on the bank's self-consideration. The loan administration department keeps the right to recover the loan according to the loan recovery process written in the deed.

iv. Hand Over of Securities:

If the borrower pays the interest and principal in the time fixed in the loan deed or the time fixed or accepted by the bank, the bank must return the moveable and immovable assets taken by it as securities from borrower, or the property of the third person taken as securities in the form of guarantee. The bank should hand over all securities as under its hold to the debtor or the surety after the loan is recovered.

v. Process of Recovering the Date Expired Loan:

If a borrower breaches the terms and conditions of the loan deed by not paying the interest and principal, the bank starts the legal process under the law. The Commercial Bank Act 2031 (1974), states various types of legal provisions for the recovery of principal and interest. After recovering the loan accordingly the rest of the cash from the sale of property or the securities should be returned to the borrower. There are many examples and cases in which the borrower has not paid his loan to the bank. The date expired loan too is classified as good, acceptable, low quality, doubtful and bad by the Nepal Rastra Bank.

vi. Maintenance of Data:

The loan administration department should prepare a report by keeping data to show the picture of the act and activities from the day of flowing loan until the day of recovery of the loans. From it, the real progressive statement of the loan investment can be known. It can be a guideline for the bank and new management can get help in future (Bhandari, Dilli Raj, 2003:182-186).

2.1.5 Credit Audit

Audit of whole transactions of bank and credit are two separate subject matters. The credit audit is covered within the audit of the bank's whole transaction. The loan audit itself is considered important. It gives constancy to the relation between the borrower and the bank. The objective of audit is to recover the interest and principal of the loan easily and the debtor too could utilize the loan in his business or another related sector. With the credit audit performed from time to time, the tendency of not paying the interest and principal doesn't arise on the borrower. The objective of audit is that the debtor uses his loan in right place and could pay the interest and principal of the loan to the bank. From this, both the bank can and debtor gets benefit. The bank too comes to know the reality of the loan that it had

flown the debtor too makes the mentality to use the loan in proper place and to pay the loan. This audit is taken important because the bank can know the reality about the loan it invested. The credit audit too in reality should check it well, from which the reality of the loan could be known. To have such credit audit performed the bank can follow two methods - internal and external methods. The first is the audit by studying all the documents to show the reality of the bank and another is the audit by field visit, both of these methods can be used according to necessity. All sort of examinations conducted with objective of showing the reality of loan are called credit audit, which is considered very important. Such credit audit is performed in the following ways:-

1. Verification of Loan Documents:

After a bank accepts or grants the loan, it opens, a bank account in the name of debtor, one or two files are prepared with all documents concerning loan, which is called the borrower's personal file. All the documents prepared from the time the debtor took the loan up to he pays the loan are accumulated in it, from this, all the loan transaction between the debtor and bank can be seen clearly. The state of loan can be known by studying and analyzing such documents: how much amount on what date has the debtor taken, how much amount is left to be withdrawn, has the debtor paid the interest to the bank or not, if he has paid the loan, how much amount he has paid, how much principal of the loan has been paid and how much is left to be paid, has the bank sent the letters to the debtor or not etc. The auditor can find the reality of the loan from the study of such documents. In addition to it , many other things can be known, like whether the debtor has obeyed the direction and the rules of loan deed or not, whether he has paid the amount of loan to the bank on the basis of deed or not. The auditor can make a report by the study of such documents because the reality can be known from such study.

2. Field Visit:

If the auditor is not satisfied with after verifying the documents he may visit the place where the industry, trade or business is located to examine whether the statement submitted in the bank matches the position of the business or not, the debtor may have given the false statement. But visit of the field helps remove the doubts.

3. Types of Credit Audit

With the objective of making credit audit systematic and effective, the credit audit can be done in many ways. They are described as follows:-

i. Internal credit audit

After the bank flow loan to a borrower, a bank may worry about loan. The bank which has flowed the loan, performs credit audit of the loan flowed by that bank. It is called internal credit audit. In addition to it, a bank may, according to the necessity, study the documents from time to time, visit the field too and attempt find out the reality. If documents are seen to be incomplete, an order can be given to provide the necessary documents for the debtor by the auditor.

ii. External credit audit

Any bank may have branches and sub-branches. Such branches too flow a loan.

Audit made by an office with the intention of finding out the state of the loan, a branch has provided, is called external credit audit.

iii. Credit audit by Central Bank

The central bank is the bank of banks. With the objectives to find out, whether the commercial banks have flown the loan or not, whether it is in violation of the instruction, policy and rule given by it under the commercial bank act and the central bank act, it may perform an audit, it is called audit by the central bank (Bhandari, Dilli Raj, 2003:186-188).

2.1.6 Renewal of Loan

It is discretionary right of the bank whether to renew a loan or not. But once a loan is provided to the debtor by the bank, the relation between the bank and the debtor is established. From such relation, both sides can take benefit. They get the opportunity to know one another. By taking the loan from the bank, the borrower can get a lot of income by investing it in his industry, trade and business. The banks can earn income by taking the interest from the debtor. The terms and conditions of the deed of loan are determined by deed of loan concluded between the bank and debtor. The debtor does not breach the terms and conditions mentioned in the deed, if he pays satisfactorily the interest and the principal. The bank doesn't find any difficulties in renewing the loan. But, if the debtor has breached the contract of loan in such condition the bank may not renew the loan contract. The bank doesn't believe the debtor. Until the bank believes the debtor, the bank will not renew the loan. The creation of terms and conditions for renewal of the loan or not depends on the activities of the debtor.

For renewal of loan, at first, the debtor should give an application for the renewal to the bank. There may or may not be a printed form for the renewal of loan in the bank. If there is prepared form, the form should be filled properly. If there is no readymade form, the debtor should write an application in a plain paper and present to the bank. After presenting the application for renewal, the bank moves the process ahead. The bank studies the debtor's file that is in the bank. In addition to it, the bank can make field visit too if bank feels necessary and if there

is no difficult situations the bank starts the process. Before giving the final decision of renewal of the loan, it should pay attention to the following internal and legal matters:-

- Whether the application of the debtor for the renewal of the loan is as per law or not.
- Whether it is against the policy and instruction given by the central bank.
- Whether the bank's own regulations, memorandum, article of association and policy permit to renew the loan for the debtor's industry, and business or not.
- Whether there is liquidity in the bank to renew the loan of the debtor or not.
- Whether any difficult situation has risen to the bank to renew the loan or not.
- Whether there exists any problem to renew the loan, or not.

In this way, after studying and analyzing above mentioned matters, a bank should deeply study all the aspects of the debtor; if the bank does not see any problem to move the process ahead. It should give a final decision to the process of the renewal of the loan. The bank should come to a conclusion by making a reasonable examination on the basis of evaluating following subject matters:-

- The bank should see every activities of the debtor.
- Whether there are reasonable cause and grounds to renew the loan or not.
- Whether the financial record of debtor's company and business is related with the company act and other concerned regulation and legislation and based on the principle of account or not.
- Whether the loan was properly used or utilized in the purpose for which debtor had taken the loan or not.
- Whether the debtor had paid the installment of the interest and principal from time to time to the bank or not.
- Whether the debtor has got benefit from the loan that he took from the bank or not.

- Whether there will be a great loss to bank from the renewal of the loan or not.
- Whether there will be some difficulties to recover the loan with interest after renewal of the loan or not.
- Whether the policy and direction given by the bank from time to time are followed from the side of the debtor or not.
- Whether the debtor has submitted the statement showing the real picture of his transaction or not.
- Whether there is condition which warrants extra security to renew the loan of the debtor or not.

After the study of above mentioned things, if the bank is satisfied, it can accept the request of the debtor. The terms and condition of loan deed can be added and modified. And also the bank can accept the provisions and conditions remained in the deed of loan. It can add new conditions and restrictions. Whatever terms and conditions the bank imposes the debtor should comply with. In this way, the renewal of the loan can be made (Bhandari, Dilli Raj, 2003:188-190).

2.1.7 Lending condition

The necessary things and the ground, which should clearly be written, when a bank flows the loan, are very important. It does necessary examination after the debt puts his loan proposal before the bank. If any negative result doesn't come out from the checking, the bank proceeds ahead in the process of loan; the bank should generate income to get success in its goal. For this, it should flow the loan. While providing the loan, the bank sees its own benefit more than the debtor's interest. The bank becomes creditor. The loan proponent becomes debtor or borrower. The creditor, as far as possible, wants to keep its interest and principal of loan safe. Being inspired by that concept, a bank determines, while flowing loan, in addition to theoretical decision, other extra terms and conditions. These are called the lending condition or grounds for providing loan. The bank prepares

a kind of figure, whatever terms and conditions are determined until recovery of loan. After the proponent tables his proposal for loan is called lending condition, under such terms and conditions other process and things are included. The debtor too needs to know it that under which condition bank provides loan. The following conditions are set forth while providing loan:-

i. The Resolution of Board of Directors of Bank:

The board of directors of a bank keeps the right to make a decision that matches with the objective of the bank. A bank can't make the decision contrary to the objectives of the bank. So, the board of directors of a bank should make a decision to provide loan to the debtor. Only such decision is called legal decision or appropriate process. The bank should pay its attention to many things; legal matter is one of the important things. It is examined whether the board of directors of a bank has given decision or not.

ii. The Resolution of Board of Directors of Borrower:

The bank provides loan to many types of persons, these are mainly the ordinary people, any form of partnership, private form, company, organization and institution. Apart from persons and private firm, in the case of companies, organization, institution and partnership firm, there should be a group decision or decision of institution. Such decision can be made among the partners, shareholders and members. There may be a decision of the board of directors of the company. There may be a decision of the executive body of an organization or an institution. So, the bank should understand whether the legal person has come with the loan proposal or not. Loan should not be given to an unauthorized person. By making the decision, the authorized person should come to the bank. Among the terms and conditions of loan providing, it is one of the important conditions.

iii. Necessary Documents:

The bank should prepare necessary documents for providing the loan. The loan should not be provided without necessary documents and legal documents. Such documents are as follows:-

- Deed (loan deed)
- The documents of assets taken as security.
- If there is guarantee, its document.
- The registered certificate of any company, organization, institution which are legally registered, constitution of the institution, article of association, memorandum of understanding the decision of board of directors or executive committee, citizenship, income tax registration certificate: if there is any scheme of the project or business, that too and other necessary documents.
- Power of attorney or authorized letter.

iv. Types of Loan:

While a bank prepares the documents to provide loan to the debtor, it should make clear the type of loan, like home loan, vehicle loan, business loan, social loan, industrial sector loan, education loan, hire purchase loan and employee facility loan etc is going to provide. The nature of debt too is included in the condition of loan providing deed.

v. Period of Payment of Loan and Interest:

Period of payment of loan and interest too is one of the terms and conditions. These things should be clearly shown in the deed.

vi. Securities:

The condition to which a bank should pay its attention most is the security aspect. A bank does provide loan in the absence of securities. It should pay special care to the subject of security. There are various types of securities, for instances primary and secondary, tangible and intangible securities.

vii. Insurance of Securities:

A deed of insurance is necessary while providing loan to the debtor. A bank offers loan only after getting the deed of insurance of the security. Whether the insurance is necessary or not, depends on the nature and structure of the security. Insurance document is not needed for all securities. The securities that need insurance are: house, machine, factory and storeroom, etc.

viii. Other Conditions:

Other conditions are as follows:-

- If the loan is not paid within the date or time given to the debtor then the principal and interest can be recovered from the debtor by adopting or taking the legal way.
- The things to follow, if the condition arises to sell the asset that is taken as securities, in auction.
- The renewal of loan.
- The letter that is corresponding in the practice.

The above mentioned conditions are the main grounds for providing loan (Bhandari, Dilli Raj, 2003:191-193).

2.1.8 Marketing of Banking Services

Marketing is needed in all types of organizations. They need to produce and market products to achieve their goals. This is the age of marketing. Marketing is not only gaining a great deal of importance but also getting complex in modern organizations. It is changing fast. So, we can say that this is the age of marketing.

To the general public, marketing is selling through advertising and sales promotion. However, selling and sales promotion are only the parts of marketing. Marketing success belongs to those who can create, promote and deliver products that customers are able and willing to purchase. Marketers are responsible for the demand management. They seek to influence the demand of customers to meet the organization objectives.

Marketing deals with “identifying and meeting human and social needs”. It is meeting customer needs to achieve organizational goals. It helps organizations to find out what their customers need and want. It also helps to decide what products to offer to satisfy customer needs and wants. It is concerned with retaining customers and winning long term customer loyalty.

According to American Marketing Management Association, “Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals” (Agrawal, Govind Ram, 2001:1).

According to E. Jerome McCarthy, “Marketing is the performance of activities that seek to accomplish an organizations objective by anticipating customer or client needs and directing a flow of need-satisfying goods and services from producer to customer or client” (Agrawal, Govind Ram, 2001:2).

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

offering and exchanging products of value with others” (Agrawal, Govind Ram, 2001:2).

Marketing people are involved in marketing of ten types of entities; goods, services, experience, events, persons, places, properties, organization, information and ideas.

i. Goods: Physical goods constitute the bulk of most countries production and marketing effort. So, marketing people are busy in the marketing of tangible object or products.

ii. Services: It includes the marketing of services like airline, banks, hotels, barbers and beauticians, maintenance and repair people, professionals working within or for companies such as accountants, lawyers, engineers, doctors, software programmer and management consultants. Today’s many market offering consist of the variable mix of goods and services.

iii. Experience: By orchestrating several services and goods, a firm can create stage and market experiences.

iv. Events: Time-based events such as Olympic, South Asian Federation games, exhibitions, artistic performance, etc.

v. Persons: Celebrity marketing is a major business today. It is advised that people should become a “brand” by marketing themselves.

vi. Places: Places-cities, states, regions and whole nations – compete actively to attract tourists, factories, company headquarters and new residents.

vii. Properties: Properties are intangible right of ownership of either real property (real state) or financial property (stocks and bonds). The marketing of property involves here.

viii. Organization: Organizations actively work to build a strong, favorable image in the minds of their target publics. Examples are: SONY- Its “SONY”, PHILIPS- “Lets make things better”. HULAS- “Why others when Hulas is there”, etc.

ix. Information: Nowadays, information can be produced and marketed as a product. Encyclopedias and most notification books market information.

x. Ideas: Every market includes basic ideas. Products or services are the platforms for delivering some idea or benefits.

Marketing is the total system of business activities designed to plan, promote and distribute want satisfying goods and services to present and potential customers.

Marketing means to produce goods according to the need and wants of the customers, so as to distribute goods and services for their satisfaction. In other words marketing activities means to produce and distribute goods according to the wants of the customers. To conduct the organization in a meaningful way so as to achieve the organizational goal, marketing management is essential. The main basis of present day is globalization in the marketing management. In these days competitive market, the successful marketing management means to provide the produced goods to the customers in a reasonable price and to change the goods according to the demand and wants of the customers (Kotler, Philip, 2003:14).

Based on the above principles of market in the present day, the main elements of marketing are 4 Ps – Product, Price, Promotion and Place. These are the main basis of marketing management. Based on the above Ps the management makes

production strategies, price determination strategies, promotion strategies and distribution strategies.

Nowadays, the big industrial empires and business houses in Nepal are considering marketing as an essential aspect of management. Because of this consideration, the importance of marketing management is increasing. Unless the producers can produce the goods according to the needs, wants of the customers, that goods cannot get success in the market. Whether the goods and services produced is according to the wants of the customer or not is examined by the marketing agency, therefore, marketing management is considered as a backbone of an industry. Although the private sector in Nepal has understood the importance of marketing management in the government sector is found less important.

Marketing is the art of selling products and at the same time it is the delivery of a higher standard of living to the society. Marketing thinking should start even before there is a product to offer. It is concerned with identifying existing needs and then converting them into a product or service. Besides even after the product has reached the customer or user, the marketing effort does not come to the end. There is a question follows through to ensure that the customer gets maximum satisfaction out of his purchase. After sales services is essential to keep the customer satisfied and become repetitive customer.

In marketing concept, the most important thing is to forecast where customers are moving and to be in front of them with the right product they want and need to delight them since it is no longer enough to satisfy them (Kotler, Philip, 2003:15).

2.1.9 Conceptual Framework of Marketing System

Cundiff and Still have suggested that conceptually a marketing system may be studied through the analysis of:

1. the marketing of individual products or classes of products
2. the problems and operations of different marketing institutions
3. the functions of activities, performed in marketing and
4. the decision required in carrying on the marketing process.

i. Product Approach:

In applying the product (or commodity) approach to marketing study, description and analysis centers on problems encountered in marketing particular product. The marketing situation of each product chosen for study is examined from such stand points as; Sources and Conditions and Policies, the different middleman who take part in distributing the product and characteristics and extent of the market for the product. The product approach, then gives detailed analysis to the specific problems met in marketing particular products and that is its great advantage.

ii. Institutional Approach:

The institutional approach concentrates on description and analysis of the different institutions engaged in the marketing (products or all kinds, dealers, agents, retailers and so on) and pays special attention to the problems and operations of each type of marketing institutions and how to fit into the overall marketing system, both with regards to the product it handles and the market it serves.

iii. Functional Approach:

The functional approach breaks down the field of marketing into functions that are necessarily performed in doing marketing work. In applying the functional approach, each function is analyzed relative to the importance of its performance

in the marketing of different products. Since marketing involves a smaller number of functions than it does either products or institutions, the functional approach has two great merits: conservation of time and avoidance of much repetition.

iv. The Decision Making Approach:

The approach used in this study is the decision making or management approach, which combines certain features of the other three approaches and seeks to relate them from the decision maker's (management's) view point.

v. The Management Approach to Marketing System:

The management approach implies:

1. Identification of the objectives and goals of the marketing system.
2. Development of a marketing plan and a marketing strategy, as part of the plan targets of sales are set.
3. Creation or establishment of well manner organization and institutions to carry out the plan and performance of the various marketing functions.
4. Direct and control the execution of the plan and performance of the various marketing functions.

As part of management function various decisions are taken from time to time on various aspects of the marketing activities and functions. Hence decision areas would be identified and the major decisions studies;

Marketing system implies in terms of:

1. Its objectives, goals policies and strategies.
2. Structure of the system (i.e. marketing institutions agencies and channels).
3. Marketing channels and physical distribution system.

4. Marketing functions covering merchandising distribution and auxiliary services.
5. Decisions Areas and Marketing Decisions (Cundiff, E.W. and Still, R.R.1964:14-17).

2.1.10 Core concepts of Marketing

Marketing can be better understood by defining several core concepts. The important concepts are:-

i. Needs, wants and demand:

Needs are the basic human requirements which indicate a state of deprivation of some basic satisfaction. For a hungry person, food is a need. Wants are specific satisfiers of needs. Wants are shaped by socio-cultural forces, institutions and individual. Similarly demands are wants for specific products backed by ability and willingness to buy. Wants backed by purchasing power and willingness to spend the money become demand.

ii. Segmentation and target market:

Single product cannot satisfy everyone in the market. So, the total market is divided into homogeneous groups of customers who share similar needs and characteristics. Market segments can be identified by examining demographic, psychographic and behavioural differences among buyers. The marketer then decides which segment presents the greatest opportunities which is its target market. For each target market, marketer develops the offerings.

iii. Products:

A product is an offering that satisfies a need or want. Organizations develop products for the target market. Products can be of different types such as goods, services, ideas, experiences, events, persons, places, properties, organizations, information's etc.

iv. Value and satisfaction:

Value is the ratio between what the customer gets and what he gives. The customer gets benefits and gives costs. Product choice is guided by the value provided by the product. Marketing should add value to the customers by raising benefits and reducing costs. The customer is dissatisfied if the performance falls short of expectations, satisfied if the performance matches the expectations and delighted if the performance exceeds expectations. Organizations should aim for total customer satisfaction by matching product performance with expectations.

v. Exchange and transactions:

Exchange is the process of obtaining a desired product from someone by offering something of value in return. Exchange is the essence of marketing. When the exchange is made, it results into transaction. Transaction is a trade of values between two or more parties. It is the process of obtaining a desired product from someone by offering something in return.

vi. Relationships and networks:

Relation marketing has the aim of building mutually satisfying long-term relations with key parties – customers, suppliers, distributors, channels in order to earn and retain their business. Marketers accomplish this by promising a delivery of high quality products and services at fair price to the other party overtime. Network consists of the organization and its key stakeholders. They are the results of relationships.

vii. Supply chain:

It is a value delivery network. Each party in the chain creates a higher value for the other party involved in the chain. In return, a part of value created is retained as profit by each party. Supply chain directs marketing efforts at maintaining backward linkages consisting of relationships with the suppliers of raw materials, technology, finance and semi-finished products. Mutually beneficial relationships are built with key stakeholders to capture the value generated by the supply chain.

viii. Markets, Marketers, Marketing:

A market consists of all potential customers having a need or want who possess ability and willingness to engage in exchange to satisfy that need or want. Someone who is seeking a response from the prospect (customer) is marketers. Marketing encompasses all the activities aimed at satisfying the needs and wants of the customers through the exchange relationships to achieve organizational objectives in a dynamic environment.

2.1.11 The Marketing Concepts

The marketing concepts have passed various stages over the years. There are different marketing concepts which are still found in practice. They are as follows:-

i. The production concept: This concept holds that customers prefer widely available and low cost products. Under this concept, managers concentrate on increasing production volume, reducing costs and widening distribution network. Many Nepalese organizations are still working under the production concept. This concept was widespread till 1950.

ii. The product concept: This concept holds that the consumers favour products that offer good quality, high performance and innovative features. Under this concept, managers focus their energy on making superior products and disregard customer preferences. They become victim of marketing myopia. They give excessive attention to product. Changing customer preferences and technology make the products obsolete. This concept was popular during 1950-1960.

iii. The selling concept: This concept holds that customers should be persuaded into buying through aggressive selling and promotion efforts. Under this concept, managers focus on stimulating sales through a battery of promotional tools like advertising, sales promotion, public relations and personal selling. This concept is dominated in the Nepalese business organizations. It is popular with non-profit organizations for social marketing. This concept was popular during 1960-1980.

iv. The marketing concept: This concept holds that the key to achieving organizational objectives consists of market orientation and integration of marketing activities to satisfy the needs and wants of customers. This concept is a new way of thinking about organizational activities. Managers focus all activities at determining customer needs in the target market and then satisfying them through coordinated marketing efforts to achieve objectives. This concept has become popular since 1980.

v. The societal marketing concept: The societal concept is an emerging concept. It holds that organizational objectives should be achieved through customer need satisfaction in ways that protect the interests of the consumers and safeguard the well-being of society. Marketing must be socially responsible. Marketing should strike a balance between the interests of the consumers, the organization and the society under the societal concept of marketing. Social responsibility also involves costs to the organization (Agrawal, Govind Ram, 2002:11-16).

2.1.12 Marketing Department of Banks

There are many departments in bank. But among these different departments, marketing department is playing an important role. One of the reasons behind the marketing department being so important is because of its direct linkage with the customer's needs and satisfaction. A marketing oriented company is likely to be more successful because of four major factors. They are as follows:

- The company is genuinely marketing oriented (not just saying they are marketing oriented)
- They are sensitive to environment in which they operate. They monitor customer attitude, competitive action, changes in the society, the economy, etc.
- They have flexible organization that can adapt to meet the changing needs of the market.
- Their staff demonstrate increased marketing professionalism – employing trained marketing professionals and acknowledging the benefits of on – going training.

Every organizations survival depends upon the profit it earns. Profit is needed for the life of an organization. To earn profit customer satisfaction is an important thing. Success of an organization depends upon the identification of the customer needs and satisfying these needs. Satisfaction of the customer will lead to the increase in profit and obtain the objectives of an organization. Similarly, in the marketing department of bank they follow the same strategies. Marketing department of the bank has same component and they are:

- Identifying Needs
- Satisfying them
- Making profit

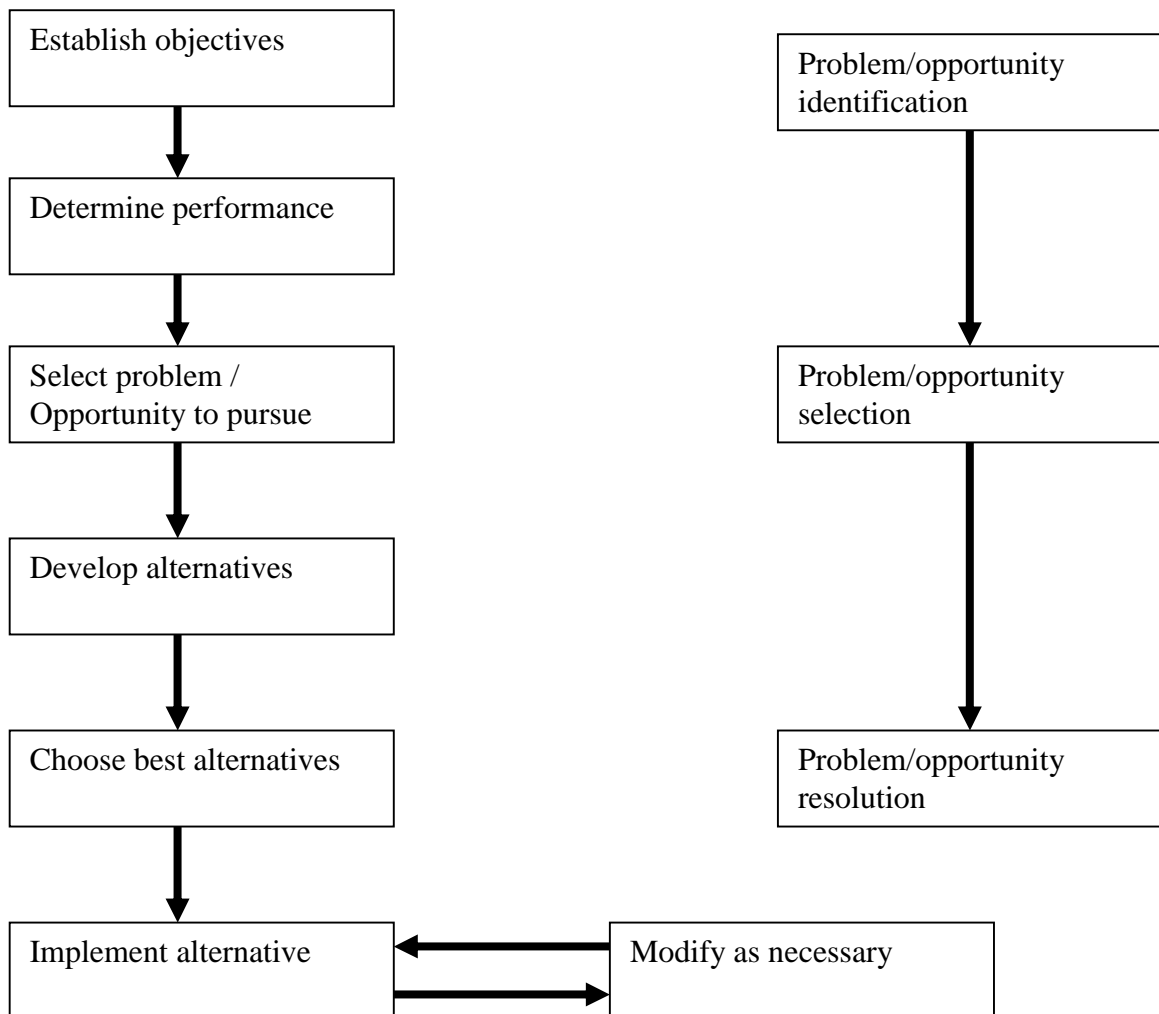
We can say there is a matching process in operation, i.e. that of matching the company's capabilities to the wants of its customers. Marketing is a body of knowledge concerned with the relationship of a business to the market place. This market place is made up of customers, potential customers, competitors, suppliers, distribution channels, communication media and government regulations.

Nowadays marketing department in banks are introducing different schemes to meet the customer needs and satisfaction. Customers are in need of service and needs of their requirement so banks offer them the services as per the requirement and necessities. These days living standard is high, customer wants are increasing day per day. To maintain this life style, bank helps them by providing loan with different schemes. Marketing department of banks identifies the needs and demands of customer and bank provides and fulfills their requirement at the time customer demands it. So the banks or the company offers the same product demanded by the customers and supplies the product in the market with focusing to the potential customers.

The marketing research function in the organization and the extent to which it is staffed vary from firm to firm. Some firms do most of their own research, whereas others depend heavily on their advertisement agency, marketing research firms and independent consultants. Some company has only a single marketing department that is responsible for the marketing research projects, whereas others have decentralized the research responsibilities by business units, product lines, countries or other geographical units or even customer types. Various combinations of these approaches are also utilized. There is no one optimum method of organization; the best organization for a particular company depends on its needs and the way it has organized the marketing and other functions of the firm.

The decision making process in marketing department is essentially the same as it is in any other area of human life. The management of marketing department has the same general steps in deciding to develop and introduce new programs.

Both opportunity and problem identification studies are common. Problems are identified when objectives are established and a measurement of performance helps to indicate that the objectives are being met or not. Marketing Department can assist in setting objectives, measuring performance and identifying opportunities and problems. Every banks or firms have same research methodology as given below:



Marketing Research is the function which links the consumer, customer and public to the marketer through information which used to identify and define marketing opportunities and problems; generate, refine and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing Research specifies the information required to address these issues; designs the method for collecting information; manages and implements the data collection process; analyses the results; and communicates the findings and their implication.

The mission of the Market Research Department is to gather analyses and interpret marketing and other relevant information needed for decision making at all levels of management. These activities are to be carried out in a cost – effective manner consistent with high professionals’ standards.

2.1.13 Review of relevant Acts

A bank is a legal person. It should run its transaction within the limits of law. The function in contrast to law can’t get legal acceptance. The bank is a limited body and environment has significant impact on the commercial banks establishment, their mobilization and utilization of resources. All the commercial banks have to confirm to the act and provision specified in the Commercial Bank Act 2031 and the rules and regulations formulated to facilitate the smooth running of commercial banks in Nepal.

In the absence of banks in Nepal, the progress of the country is not possible. It will hamper the economic growth of the country and will cause inconvenience to the people. For the betterment of the country and fulfilling the needs and wants of the people, this law was promulgated for the establishment of the bank and its operation.

Commercial banks operate under the direction of the central bank (NRB). Central bank has controlling, supervising and monitoring power over the commercial banks and financial institutions. Commercial banks will help in banking business by opening its branches in the different parts of the country. Section 2 (a) of the Commercial Bank Act 2031 (1974) has defined “Commercial Bank “ as a bank which operates currency exchanges transactions, accepts deposits, provide loan; performs, dealing, relating to commerce except the banks which have been specified for the co-operative, agricultural, industry of similar other specified objective. Commercial banks play an important role to mobilize banks deposit in different sectors of the different part of the nation to prevent them from the financial problems.

Central bank established a legal framework by formulating various rules and regulations. These rules and regulations have direct or indirect impact while making decision. A bank reaches to a decision as to whether it should provide loan or not after many discussions between the person or businessmen who comes with a proposal of loan to the bank and the bank. While carrying out any banking transaction, the bank and the customer should follow the law, policy and instructions.

The legal consideration of loan refers to the interest. The debtor should pay the interest of the loan that he/she has taken. That interest is the legal consideration of loan. The bank should operate banking business with the medium of interest. The interest recovered from the debtor has a very important role. Because as for a bank, the consideration of loan is the interest, it should be conscious of how to recover the interest from the debtor.

The persons or businessmen, who make the demand or the proposal of loan, should fulfill the legal liability. In providing loan, the bank too should give emphasis to the legal aspects.

2.2 Review of Related Studies

Some articles and research publications which are relating to the different aspects of the commercial banks which will help to conduct this study smoothly are as follows:

Mr. Nepal (2004), expresses his views in an article, “Home Loan that makes Land and Building Costly”, published in “Himal” fortnightly magazine that due to the unstable economic condition and internal conflicts in the country, the existing areas of investment like industry, trade, tourism, service etc. are narrowing down. However, due to remittance from foreign countries, the bank deposits especially in the joint venture banks have increased. So, these banks have started to explore new areas of investment. One of such areas is construction of houses. Home loan programs have become boon to the banks these days as there seems to be no default in housing finance.

Mr. Manohar Krishna Shrestha (2001) in his article, “Commercial Banks Comparative Performance Evaluation” stresses on a proper risk management. He believes in the appropriate classification of loans under performing and non performing category. He writes adequate provisioning is surest way to get relief from sinking loan after careful consideration of portfolio risk. A clear criterion is necessary to treat interest account and it is advisable that all unpaid interest for more than six months needs to be treated as unearned income. Regarding the risk management of the bank Mr. Shrestha gave suggestions as follows:-

- Any customers having overdue loan for two years or more in his account should not be given other loan facilities.
- Strong provisioning or reservations are required in restructuring portfolio related to overdue loans.

- All credits including overdrafts should be given a maturity date and should be subjected to revision at that date and consequently categorize as good, sub-standard or doubtful loans.
- Final credit worthiness of the borrower must be evaluated properly before granting the loans.

Another article of Mrs. Sunity Shrestha (2001), “Lending operation of commercial banks in Nepal and its impact on GDP” showed that there had been positive impact on GDP by the lending of the commercial banks in various sectors of economy except through service sector investment.

Similarly, another article wrote by Mr. Bodhi B. Bajracharya (2001), “Monetary and Deposit Mobilization in Nepal” concluded that mobilization of the domestic saving is one of the prime objectives of the monetary policy in Nepal. Commercial banks are the most active financial mediators for generating resources in the form of deposit of private sector and providing loans in different sectors.

An article entitled, “Safe niche for investment” by Mr. Santosh Chhetri (2007) concluded boom in consumer finance in the recent years has led to a radical change in urban living patterns, triggering a rapid growth in the purchasing power of the middle-class. It has also given a new niche for investment. Rapid urbanization is what most commercial banks are cashing in on with products that help to meet the need of people. Recognizing the value of offering a wide range of services not only to the corporate sector but also to individuals, banks have been aggressively offering various consumer loans as required by individuals. Home loan has become an important area in which bankers are happy loosen their purse strings. In the last couple of years, the market for consumer loans has become so competitive that an individual with a regular source of income can pay easy. Between most commercial banks and financial institutions, there is a cutthroat competition for market share, which is ultimately benefiting customers.

Mr. M. Pradhan (2004), in his article, “The Importance of Loan Information Centre and its Activities” published in NRB Annual Publication says that the loan information centre was established to fulfill the necessity of a company working in relation to information related to loan. He further adds that the negative trends like delaying the payments of principle and interest, deficient loan approval procedure, lack of constant inspection of projects, lack of co-ordination between the bank and finance companies have aided in the increase of non-performing loans ultimately affecting the national economy negatively. The author recommends the banks and finance companies to help the loan information centre by following the directives of Nepal Rastra Bank and utilizing the information obtained from the centre so that positive changes can be witnessed.

Mr. R. Poudyal (2003), in his article, “Facts of Bank Credit in Nepalese Money Market” published in “Economic Collection”, Association of Retired Employees of NRB, gives his view about loan management stating that banks need to earn enough revenue to sustain their huge overhead cost. To do so, they offer maximum possible facilities to their potential clients. Loan management includes credit policy of the respective financial institution, its loan approval process, documentation, stipulations of the disbursement, procedure of disbursement, project appraisal system, additional collateral, loan monitoring and follow up etc. This process begins after the project is conceptualized and the application lodged. But the loan application may or may not reveal the required information to the bank. So, technique of credit appraisal demands that every aspect of the project is examined, value of the mortgage evaluated.

He further adds that as revealed by the operations of banks, after the approval of the loan, banks strive for the early disbursement because revenue is generated from the very date of disbursement. That’s why, earlier the disbursement the better. Similarly, it becomes necessary for the banks to reasonably plan the installments of disbursement.

Some thesis which are relating to the different aspects of the study which will help to conduct this study smoothly are as follows:

Niraj Maskey (2006) has conducted a study on “An investment policy of Nepal Investment Bank Ltd” with the following objectives:-

- To discuss fund mobilization and investment policy of NBL.
- To evaluate the growth of loans and advances, total investment with other financial variables.
- To analysis the trends of deposit utilization towards total investment and loans and advances.
- To make investors clear about profitable investment and degree of risk involve in these bank.

The findings of the study are summarized as follows:-

- The loan loss provision of NIBL has fluctuating trend and is not uniform and stable. The loan loss provision for performing loans is 1% of the total loans and advances.
- The higher ratio of the loan loss provision more than 1% signifies that the bank is having certain proportion of non performing loans. This indicates that the quality of the loans is degrading and the possibility of default in the future is high.
- The performance of NIBL in terms of loan is little less satisfactory and effort should be made for timely recovery of the loans.
- The analysis shows that the bank is aware of non-performing loans and adopting the appropriate policies to manage this problem. The non-performing assets for commercial banks should be in single digits i.e. less than 10% as per international standard.
- Sector wise portfolio analysis of the loans and advances shows that the bank has given priority to service, manufacturing, wholesales and retailers sector

only for lending. The sector wise lending portfolio of NIBL is not well managed and diversified.

- More than half of its funds are poured in the three sectors only. Less focus has been given to the sectors like agriculture and machinery equipment.
- It has maximized its investment on shareholder's wealth and loans and advances which is not sufficient according to the increase in net profit.

Sunity Shrestha (1993) has conducted a study on "Investment planning of commercial banks in Nepal" with the objectives of:-

- To evaluate the financial performance of commercial banks in Nepal.
- To examine the investment of the commercial banks of Nepal with reference to securities.
- To established the relationship of bank portfolio variables with the national income and interest rates.

The research was conducted on the basis of the primary and secondary data of commercial banks. The findings of the study are summarized as:-

- The general trend of commercial banks assets holding is growing. Deposit has been a major source of fund. The excess reserve level of the bank allows ideal money and loss of opportunities. Debt equity ratios are very high greater than 100%.
- The return ratios are on the average higher for foreign JVBs than for the Nepalese bank. Risk taking attitude is higher in foreign JVBs. The total management achievement index is higher in case of foreign banks in comparision to the Nepalese banks.
- The hypothesis that the commercial banks have non professional style of decision making in investment has been acted. The investment of commercial banks in shares and securities are normal and not found to have strategic decision towards investment in shares and securities. Yield from the securities has been found to be satisfactory.

- Investment in various economic sectors shows industrial and commercial sectors taking higher share of loan.
- Investment in various sectors has a positive impact on the national income from their respective sectors.
- Lending in priority sector showed cottage and small industry sector sharing higher loans.

Rajendra Banskota (2006) has conducted a study on “Analysis of financial performance of HBL” with the following objectives:-

- To examine the financial statement of the bank and analyze them to see the financial soundness of the bank.
- To observe the return over the equity and operational efficiency.
- To predict the value of total deposit, loan and advance, net profit and loan loss provision of the bank.

The findings of the study are summarized as follows:-

- Cash and bank balance to current deposit and loan and advances to current assets ratio of the bank is not so good.
- HBL bank is more efficiently utilizing the outsider funds in extending credit for profit generating sectors.
- The loan loss provision of loan and advance ratio of bank is quite low, which reveals that the bank has decreasing volume of bad loans and also the proportion of sub-standard doubtful loan in the volume of its risk assets.
- There is a positive relationship between deposit and loan of the banks.

Sami Joshi (2001) has conducted a study on “Analysis of financial performance of EBL” with the following objectives:-

- To analyze the financial indicators of the bank such as liquidity ratio, capital structure ratio, profitability ratio and leverage ratio of EBL.

- To find the future trend of total deposit, loan and advances and net profit.
- To identify financial strength and weakness of EBL.

The findings of the study are summarized as follows:-

- It is suggestive to hold the fund in form of cash or cash equivalent items to the extent of requirement.
- EBL in the later years has given more priority to invest its fund in government securities. Though the government securities are free of risk they yield lower interest rate. EBL has to diversify its investment policy.
- It needs to find sources of income apart from the traditional income to stay competitive providing many other services to its customer.
- It has greater portion of debt in capital. Bank should be aware of the possible risk that may arise due to slackness in the business activities.

Ashok Kumar Gurung (2006) has conducted a study on “Lending Policy and recovery management of commercial banks” with the following objectives:-

- To study the lending and recovery policies of commercial banks.
- To compare and analyze the deposit mobilization.
- To measure and compare the total amount of lending out of total deposit.
- To analyze status of non-performing assets.

The findings of the study are summarized as follows:-

- The high portion of non-performing loan accompanied by higher provision of these banks indicates that the banks credit portfolio needs attention.
- SCBNL contribution to loan and advances is relatively low. Low level of lending means, low level of investment resulting to low level of productivity.
- It is recommended for the banks to initiate training and development program for the employees to make them efficient and professional.

- Banks should be more cautious and realistic while granting loans and advances. After advancing loans there should be regular supervision and follow up for proper utilization of loan.
- The regulation regarding loan classification and provisioning is stringent and tighter than before. Hence, NRB should not only impose directives but also create supportive environment for the commercial banks. NRB is recommended to strengthen Credit Information Bureau (CIB) so that banks can get required credit information about the borrowers on time.

2.3 Research Gap

Most of the studies mentioned earlier dealt about loan as a whole and generalized the matter about the objectives of the commercial banks and financial institutions. Very few of them have gone specific about consumer loans but none of them have written over consumer loans taking Himalayan bank and Everest bank in specific. So, this study is conducted to make a specific review of consumer loans with reference to HBL and EBL. Many studies regarding these banks have not been made compared to other commercial banks. As such, this study might be a novelty one with reference to the study of consumer loans of HBL and EBL.

The study is focused on consumer loans fulfilled by the bank and its impact upon its customer. The study certainly gives clear picture regarding the performance of the consumer loan practices of the Himalayan Bank and Everest Bank.

CHAPTER: THREE

RESEARCH METHODOLOGY

Research methodology is the overall framework for when/how to conduct, process, analyze and present data on tables and diagrams to find the answer of the research questions/objectives. It is concerned with the various methods and techniques which are used in the process of research studies. It includes wide range of methods including quantitative techniques for data analysis and presentation. Secondary data are used in this research.

This research is concerned to examine the relationship of consumer loan in the market.

Research methodology includes research design, population and sampling, sources of data collection, data collecting methods and data analysis tools.

3.1 Research design

This is an academic research. The purpose of this research design in this research is to analyze consumer loans effectiveness and to show the impact and status of consumer loan and to recommend for future possibilities improvement to promote consumer loan in the market with respect to the HBL and EBL. Secondary data is used to get 100% information to fulfill the objectives of this research.

The research design of this study is descriptive as well as exploratory in nature and having findings of significance and value to society in general.

3.2 Population and sampling

The population for this study comprised all the bank's involved in providing consumer loan in the market. For the study purpose HBL and EBL are chosen as sample.

3.3 Nature and sources of data

This research study is based on secondary. Secondary data is received from central office of HBL and EBL, annual reports, journal reports and unpublished data. So, I have made an attempt to review useful bunch of literature relevant to my study as they provide ideas, policies and data inputs to my analysis.

3.4 Data collecting methods

Secondary data are collected from the annual reports of HBL and EBL from FY 2061/62 to FY 2063/64. Data are collected in order to draw conclusions for the research.

3.5 Data analysis tools

Graphs, tables and charts are used to present the collected data and information to make it more easily understood.

CHAPTER: FOUR

DATA PRESENTATION AND ANALYSIS

This chapter deals with the presentation, analysis and interpretation of relevant data and information of HBL and EBL. To obtain best result, the data and information have been analyzed according to the research methodology as mentioned in Chapter 3.

The main purpose of analyzing the data is to change it from an unprocessed form to an understandable presentation. The analysis of data consists of organizing, tabulating and performing reasonable analysis.

In this chapter, the data are tabulated, analyzed and presented in a reasonable and wise manner. The data presentation and analysis is based on secondary information.

Credit and Marketing Department

The main role of bank to achieve organizational goal is of Credit and Marketing Department. Their major function is to link with the customer needs or requirement in terms of introducing new scheme in the market. Their achievements completely depend on the needs and requirement of the customers. Marketing helps not only in the sector of collecting deposit but it importantly helps in providing loans and other facilities and introducing different schemes in the market. Marketing Department has to deal with actual and possible customers. In one hand, Marketing Department keeps in touch with client and offers services that suit to their needs and in the other hand, Marketing Department tries to attract new customer. Consumer loan is one of the main activities of bank that provides loan to the customer. Different banks have different facilities.

4.1 Himalayan Bank Limited

Business philosophy of Himalayan Bank Limited is attractive loan schemes for every dream. Marketing Department of Himalayan Bank Limited has altogether five staff in Credit and Marketing Department and they are responsible for the consumer loan and other services. This department introduces new product in the market and fulfill the customer needs and requirement and for that they charge amount of interest and service charge that is profitable to both the parties customer and also for the bank too.

Himalayan Bank Limited is providing brochures which helps customer to get information from it. Himalayan Bank Limited has attractive loan schemes for customers. The loan schemes are as follows:

-) Home Loan
-) Vehicle Loan
-) Subidha Loan
-) Small Business Enterprise Loan

4.1.1 Home Loan

Eligibility

-) Regular and stable source of income
-) Minimum 25 years old and not more than 65 years during tenure of loan.

Purpose of loan

-) Buy a new home

-) Buy an apartment/flat
-) Construction of home
-) Extension of land/building

Main features

-) Loan limit: Rs.0.5 million to Rs.5 million
-) Financing upto100%
-) Tenure:3 to 10 years
-) Rate of interest: 7.00-8.5 % per annum depending on tenure
-) Repayment: Equal monthly installments
-) Advance disbursement: Allowed for building construction
-) Accidental death insurance for value upto Rs.2.5 million, free of cost

Securities required

-) Mortgage of land and building financed under the scheme
-) Personal guarantee of applicant and co-applicant(s)

Charges

-) Applicant fee: Rs.100
-) Loan service charge: 1% of the loan amount
-) Prepayment: allowed with reasonable service charge
-) Foreclosure: Allowed with a charge of 1.5% of the outstanding amount
-) Reasonable valuation charges depending on loan size

The home loan of HBL for last three fiscal years can be viewed in the Table 4.1 which also includes the number of customer and the loan amount of bank on it.

Table 4.1

Home loan of HBL over the period of three years from

FY 2061/62 to FY 2063/64

(Rs. in million)

Year	Number of customer	Loan Amount
2061/62	213	275.40
2062/63	338	411.21
2063/64	429	535

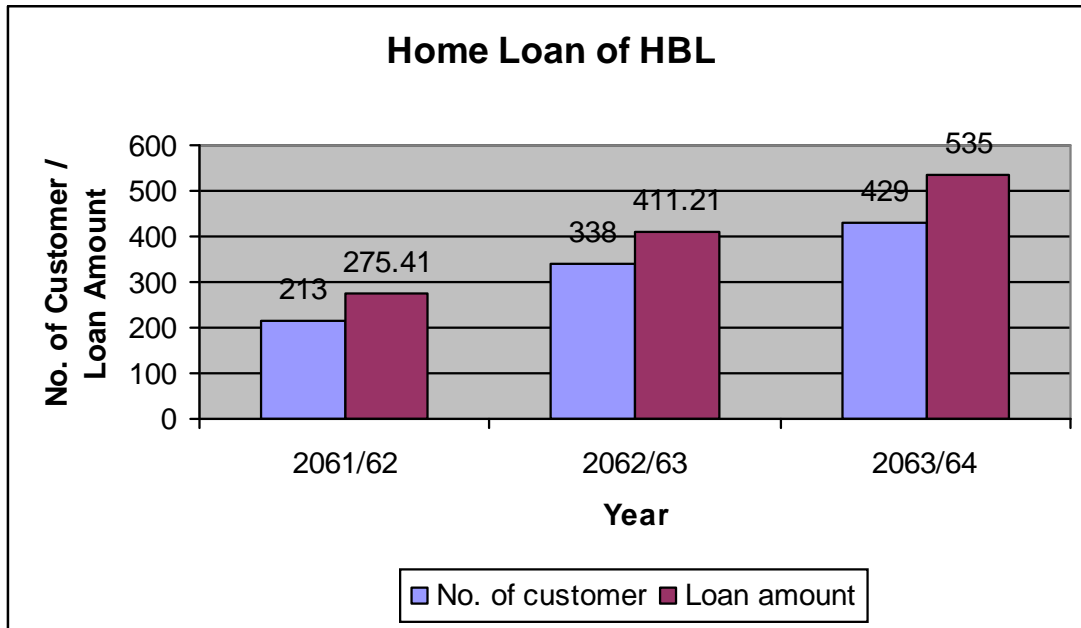
(Source: Annual Report of HBL)

In the last three years period, the number of customer and the loan amount has seen steady growth. In the FY 2061/62, number of customer is 213 whereas the loan amount is 275.40 million. Similarly, the number of customer has increased from 213 to 338 in FY 2062/63 and 429 in FY 2063/64. The loan amount has also increased from Rs.275.40 million to Rs.411.21 million in FY 2062/63 and Rs.535 in FY 2063/64.

The same information can be depicted in the chart below.

Figure 4.1

Home Loan of HBL



The Figure 4.1 shows the growing trend of number of customer of the bank during the three fiscal years. The graph even shows that loan amount is in increasing trend. The loan amount has increased to Rs.535 million during the FY 2063/64 whereas it was Rs.275.40 million during the FY 2061/62.

The increment in the loan amount shows that bank and the customer both are in the profitable stage.

4.1.2 Vehicle Loan

Eligibility and purpose of loan

-) Regular and stable source of income
-) Individuals and business concerns can raise loan to purchase new car/van/jeep.
-) Necessary information should be provided in Basic Information Sheet (BIS).

Main features

-) Financing upto 90% of the value of vehicle
-) Financing tenure upto 8 years
-) Rate of interest: 6.5% to 9.5 % per annum depending on tenure
-) Repayment: Equal monthly installments
-) Option for pre-payment without any charge
-) Nominal loan processing charges.

Special benefits

-) One year free subscription of Credit Card

Security

-) Registration of vehicle in banks name
-) Personal guarantee of the borrower

The vehicle loan of Bank has been illustrated in Table 4.2. The table shows vehicle loan of the bank over the period of last three years from FY 2061/62 to FY 2063/64.

Table 4.2

**Vehicle loan of HBL over the period of three years from
FY 2061/62 to FY 2063/64**

(Rs. in million)

Year	Number of customer	Loan Amount
2061/62	2720	1007.59
2062/63	2650	1080.81
2063/64	2650	1180.13

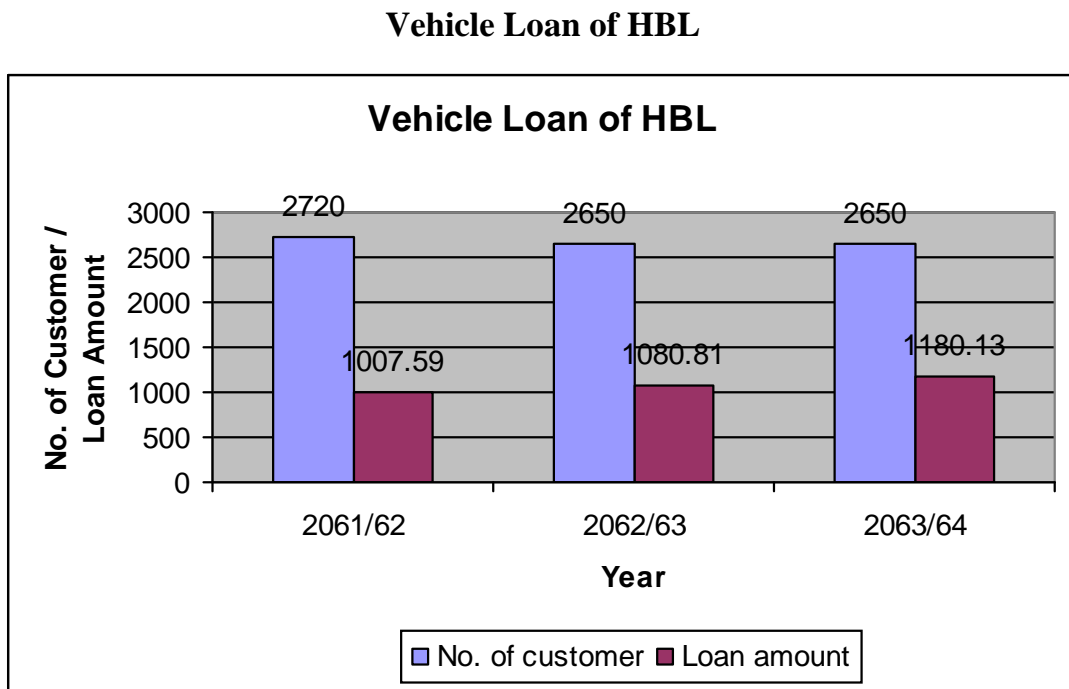
(Source: Annual Report of HBL)

The above data reveals the status of vehicle loan. After analyzing the above data it shows that the number of customer have decreased in FY 2062/63 from 2720 to 2650 and remained same in FY 2063/64 i.e. 2650. Though there is decrease in the customer number, loan amount shows increment in each year. In FY 2061/62 loan

amount was Rs.1007.59 million, Rs.1080.81 million in FY 2062/63 and 1180.13 in FY 2063/64.

The vehicle loan of HBL has been illustrated in the figure below.

Figure 4.2



The Figure 4.2 shows the increasing trend of loan amount in the three years period from FY 2061/62 to FY 2063/64. There has been decreased in the customer number from 2720 to 2650.

HBL bank should try to increase the customer number so that the bank could be able to achieve the targeted goal. Though there has been increment in the loan amount bank should still try to increase the customer number too.

4.1.3 Subidha Loan

Eligibility

-) Individuals with reliable and steady source of income to honor repayment schedule.

Purpose

-) Social religious ceremonies like marriage, pasni, bratabandha etc.
-) Higher education
-) Home refurbishment/consumer durable
-) Medical treatment of family member
-) Travelling

Types

-) Subidha Loan - Non-Revolving (Term loan)
-) Subidha loan – Revolving (Overdraft)

Main features

-) Loan limit: Rs. 0.2 million to Rs. 2.5 million
-) Tenure: 1 to 5 years
-) Rate of interest: 9.5% per annum
-) Repayment: Non Revolving-Equal monthly installment and
Revolving-Annual Renewal Basis

Securities required

-) Mortgage of fixed assets collateral (land or land and building)
-) Personal guarantee of loan applicant, co-applicant and other guarantor, if any.

Charges

-) Loan processing fee: 1% of the total approved loan amount or Rs. 5,000 whichever is higher.
-) Annual loan service charge: 1% of the total approved/outstanding loan amount or Rs. 3,000 whichever is higher.
-) Prepayment allowed with nominal charge
-) Foreclosure: Allowed with applicable charge

The Subidha loan of HBL Bank has been illustrated in Table 4.3. The table shows data of the bank over the period of last three years from FY 2061/62 to FY 2063/64.

Table 4.3

**Subidha loan of HBL over the period of three years from
FY 2061/62 to FY 2063/64**

(Rs. in million)

Year	Number of customer	Loan Amount
2061/62	89	54.18
2062/63	228	112.18
2063/64	240	112.23

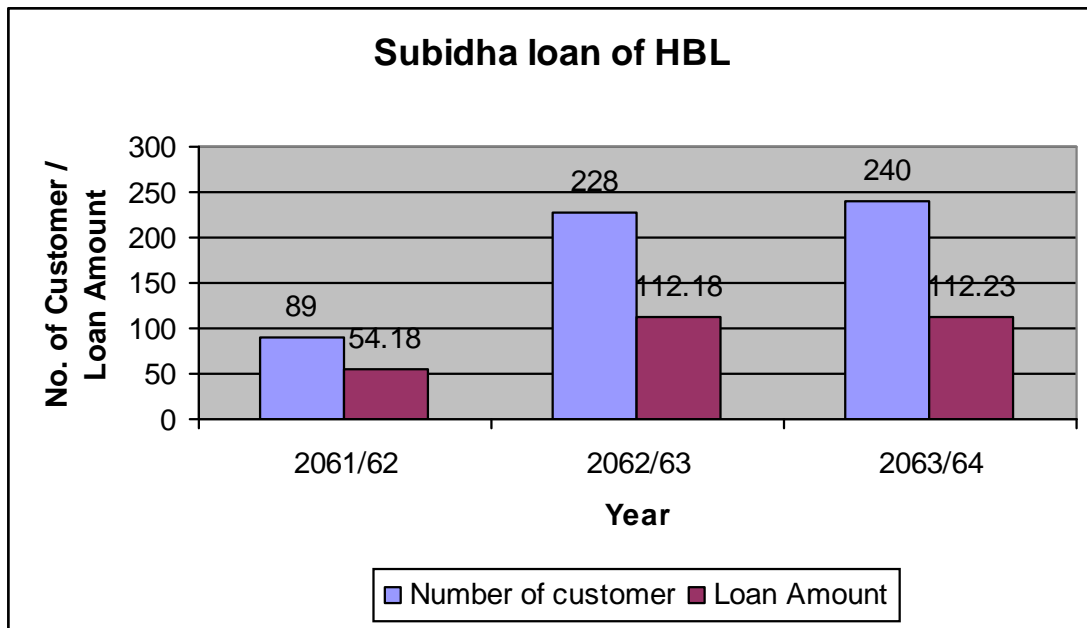
(Source: Annual Report of HBL)

The above table shows that the number of customer has been increased drastically in FY 2062/63 from FY 2061/62. There has been increment of 139 customers from 89 to 228 in FY 2062/63. Later, it increased from 228 to 240 in FY 2063/64. Similarly, the loan amount was also increased from Rs.54.18 million to Rs.112.18 million in FY 2062/63 and Rs.112.23 million in FY 2063/64. There has been drastic increment in loan amount in FY 2062/63 from Rs.54.18 to Rs.112.18 million but a little increase in FY 2063/64.

The same information can be depicted in the chart below.

Figure 4.3

Subidha Loan of HBL



The Figure 4.3 reveals the fact that the number of customer and loan amount have increased drastically in FY 2062/63. But a steady increment in FY 2063/64.

So, bank should develop some creative ideas to increase the number of customer and the loan amount.

4.1.4 Small Business Enterprise Loan

Prospective customers

-) Industrial sector such as small and cottage industry
-) Trading sector such as wholesaler, stockiest, retailers, importers, exporters and suppliers
-) Service sectors such as lodge, restaurants, medical clinics, travel agencies

Basic criteria of eligibility

-) Satisfactory profit margin substantiated by positive cash flow
-) Already established/running enterprise for minimum last 2 years or new enterprise to be established by individual having proven first hand experience of at least 3 years in similar business entity.

-) Loan to be Fixed Assets Collateral

Credit Facility Limit

-) Funded facility: Rs. 0.5 million to 15 million
-) Non-funded facility: Rs. 0.5 million to Rs. 20 million

Loan tenure

-) Term loan: upto 6 years
-) Working capital loan (Demand loan/Overdraft/Trust receipt): Annual renewal basis
-) Each trust Receipt Loan Deal: upto 120 days

Term Loan Repayment

-) Either equal/ballooning installment on a monthly or quarterly basis.
-) Repayment of term loan may be fixed on EMI basis.

Interest Payment

-) Except in cases where repayment of term loan is fixed on EMI basis, interest on all credit facilities is payable on every quarter end.

Interest Rates

-) Fixed Term Loan: 8.25% per annum
-) Working Capital Loan: 7.99% per annum

Letter of Credit/Bank guarantee

-) Cash margin: 10%
-) Commission: As per bank's schedule of charges

Loan Processing Fee

-) Term Loan: 0.5% of loan amount
-) Working Capital Loan: Rs.5,000 flat

Annual Renewal Fee

-) As per bank's schedule of charges
-) Term Loan installment pre-payment charge: Free of cost

The small business enterprise loan of HBL for last three fiscal years can be viewed in the Table 4.4 which also includes the number of customer and the loan amount of bank on it.

Table 4.4

**Small Business Enterprise loan of HBL over the period of three years from
FY 2061/62 to FY 2063/64**

(Rs. in million)

Year	Number of customer	Loan Amount
2061/62	37	46.31
2062/63	31	60.20
2063/64	19	515.01

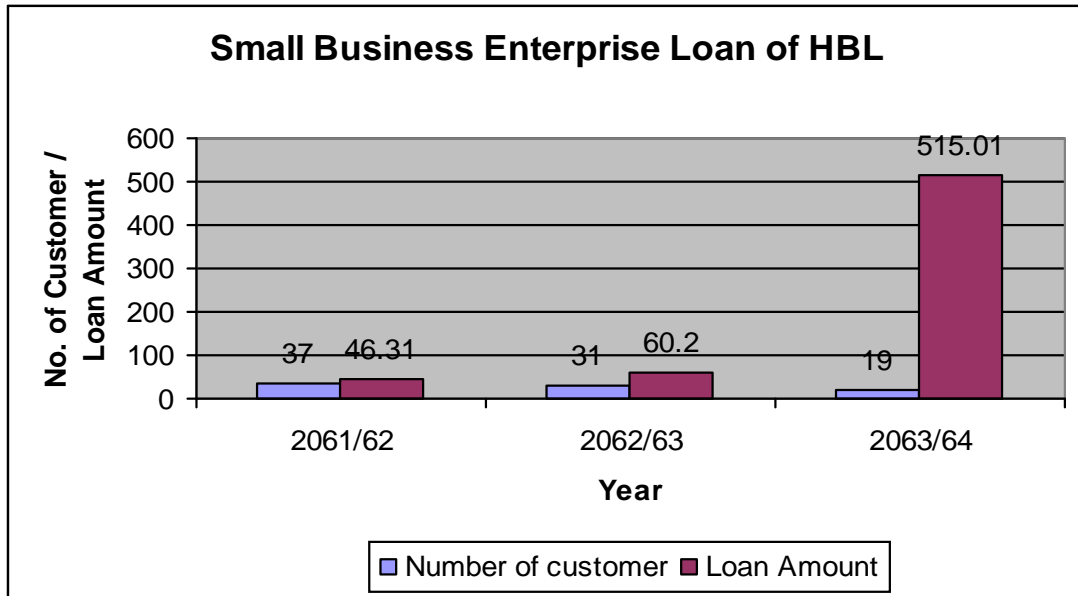
(Source: Annual Report of HBL)

After analyzing the data, it can be concluded that the number of customer of HBL bank has been decreasing every year. In FY 2061/62 number of customer was 37 with loan amount Rs.46.31 million. Later, the customer number was decreased to 19 in FY 2063/64. But loan amount shows the increasing trend. Loan amount was increased to Rs.515.01 million in FY 2063/64.

The same information can be depicted in the chart below.

Figure 4.4

Small Business Enterprise Loan of HBL



The Figure 4.4 shows that the customer has decreased but the loan amount was increased. There has been a drastic increment in loan amount in FY 2063/64.

The bank should try to increase the customer number to achieve the targeted goal.

4.2 Everest Bank Limited

Everest Bank's Home loan, Home Equity loan, Education loan, Professional loan, Vehicle loan, Loan against Mortgage etc. takes care of consumers needs. So when it comes to purchasing/constructing a new home, acquiring a foreign degree, possessing a new car, establishing own business venture, EBL loans make sure that the consumer's dreams are fulfilled.

4.2.1 Home Loan

Eligibility

-) Individuals in a permanent service or having their own business.
-) Gross monthly income along with that of spouse and other member of joint family should be at least double the monthly installment of the loan.

-) Age of the applicant normally shall not be more than 65 years.

Purpose

-) For construction of a home or purchase of a house/flat
-) For repair/renovation/alteration of the house/flat
-) For purchase of land.

Amount of loan

-) Need based, depending upon the project cost (cost of construction in case of house construction and cost of purchase in case of purchase of land and building) and repaying capacity of the borrower.
-) For repairs/renovation and for addition/alteration, the maximum amount of loan shall not exceed Rs.20 lacs and 10 lacs respectively.
-) For purchase of land, the loan amount shall not exceed 50% of the registered value or Rs.25 lacs (whichever is lower).

Margin money: Minimum 25%

Interest rate: At competitive rates.

Security

-) Mortgage of the property
-) Where mortgage can not be created immediately in situation like house/flat is being purchased/allotted by the private builders or development authorities and title deed are executed in favor of purchasers only after completion of construction and possession/making full payment of the cost of house/flat, a stamped tripartite agreement shall be executed amongst private builders/Development authorities, borrowers and the bank before release of the loan.
-) Personal guarantee of person(s) acceptable to the bank shall be obtained.

Repayment period

-) In equal monthly installments-maximum up to 20 years.
-) Repayment of the loan with interest shall not ordinarily extend beyond the age of 65 years of the borrower.

Insurance

Comprehensive insurance of charged assets with agreed bank's clause.

The home loan of EBL has been tabulated in Table 4.5 which shows the home loan of the bank over the period of three fiscal years i.e. from FY 2061/62 to FY 2063/64.

Table 4.5

**Home loan of EBL over the period of three years from
FY 2061/62 to FY 2063/64**

(Rs. in million)

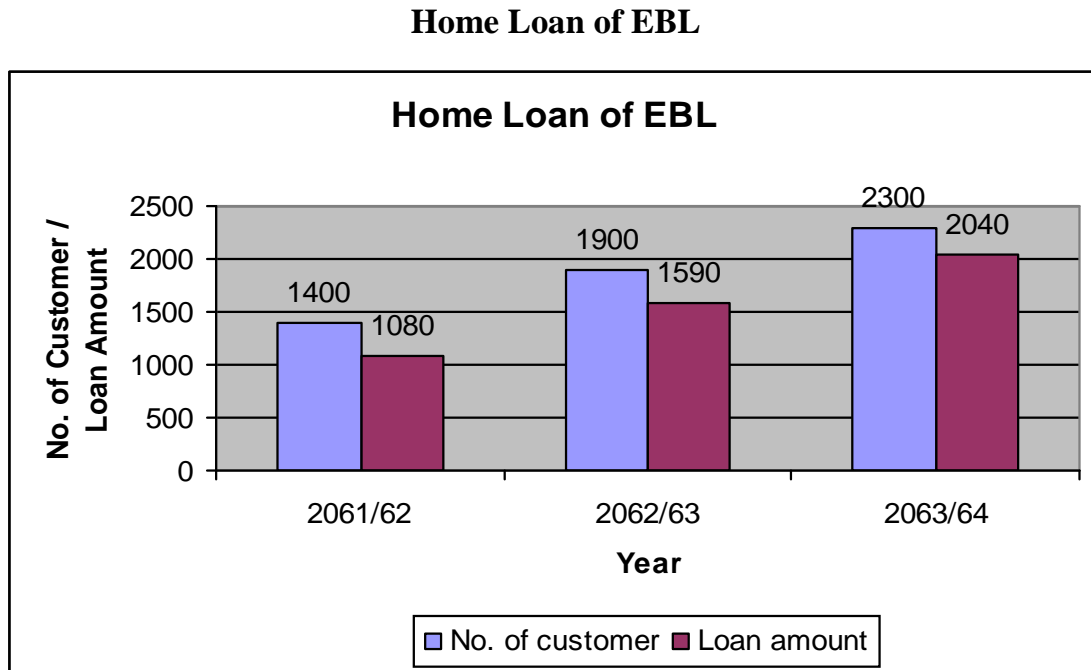
Year	Number of customer	Loan Amount
2061/62	1400	1080
2062/63	1900	1590
2063/64	2300	2040

(Source: Annual Report of EBL)

After analyzing the data, it can be concluded that the number of customer and the loan amount of EBL bank has been increasing every year. In FY 2061/62, FY 2062/63 and FY 2063/64 number of customer is 1400, 1900 and 2300 respectively. Similarly, loan amount is Rs.1080 million, Rs.1590 million and Rs.2040 million respectively.

The same information can be depicted in the chart below.

Figure 4.5



The figure 4.5 displays increasing trend of the home loan of EBL. There has been a steady increment in customer number as well as loan amount. It shows that the customers are getting the benefit of home loan.

4.2.2 Home Equity Loan

Eligibility

-) Existing home loan borrowers whose past repayment behaviour is satisfactory and the account is running regular and whose income level has increased.
-) Age of the applicant should not exceed 57 years.

Purpose

-) For outright purchase of a new house
-) For additions/ construction over the existing house
-) For purchase of vehicle
-) For educational purpose
-) For business overdraft

) For personal OD/TL (for purchases, expenses, etc.)

Amount of loan

-) Minimum amount of the loan is Rs. 2 lacs and maximum amount is Rs. 15 lacs.
-) 90% of the home equity value or required amount of loan whichever is lower.

Margin: 10% on the home equity value (reassessed value of home property less required margin of 25% less outstanding on home loan account).

Interest rates: At competitive rates.

Security

-) Existing home property to be extended (plus vehicle to be registered in banks name in case of vehicle purchase).

The home equity loan of EBL has been illustrated in Table 4.6. The table shows home equity loan of the bank over the period of last three years from FY 2061/62 to FY 2063/64.

Table 4.6

**Home equity loan of EBL over the period of three years from
FY 2061/62 to FY 2063/64**

(Rs. in million)

Year	Number of customer	Loan Amount
2061/62	2	1.5
2062/63	1	0.5

2063/64	--	--
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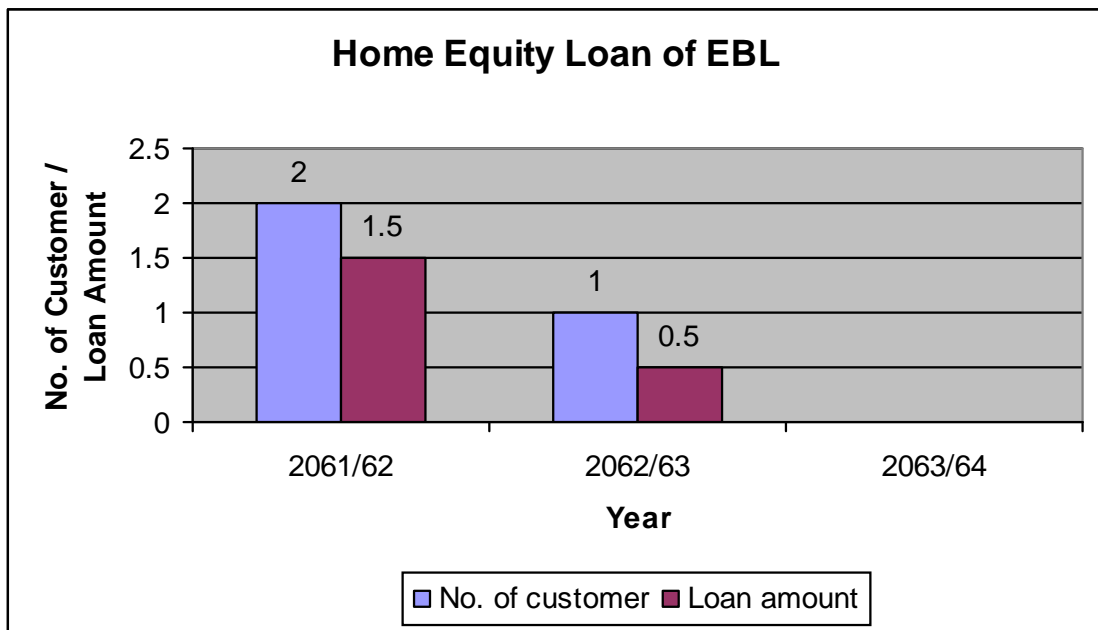
(Source: Annual Report of EBL)

Table 4.6 shows the decreasing trend of home equity loan. During FY 2061/62 number of customer was 2 with loan amount Rs.1.5 million. In FY 2062/63 customer number was 1 with loan amount Rs.0.5 million. There has been no demand for loan in FY 2063/64 which shows the decreasing trend of home equity loan.

The home equity loan of EBL has been illustrated in the figure below.

Figure 4.6

Home equity Loan of EBL



The above figure shows very less number of customer and even the loan amount. Number of customer and loan amount has decreased. In FY 2063/64, there is no demand for the loan.

Therefore the bank should focus to improve the condition of home equity loan.

4.2.3 Flexi Loan

Eligibility and Purpose

Finance against mortgage of immovable properties situated in urban centers of Kathmandu, Lalitpur, Bhaktapur, Biratnagar, Birgunj, Bhairahawa, Butwal and other cities for meeting business and personal needs.

Amount of loan

-) 20 times net monthly income
-) Minimum loan amount – Rs.5 lacs
-) Maximum loan amount – Rs.200 lacs
-) Income of spouse can be taken into consideration for determining income.

Interest rates: At competitive rates.

Security

-) Registered mortgage of non-encumbered house/flat, commercial or industrial property in the name of the bank and possession of the borrower.
-) The property should be of value equal to 200% of the loan amount in case of term loan and 200% in case of overdraft facility.
-) Security offered to be mortgaged exclusively against this facility to the bank.

Repayment period

-) Term loan – In maximum 120 EMI (equal monthly installments). EMI not exceed 50% of monthly income.
-) Overdraft – overdraft facility shall be renewed /reviewed annually.

Insurance

The property shall be insured against fire, riots, terrorism and wherever required, against other appropriate hazard such as earthquake, flood, lightening etc. by the borrower for the value of the property with agreed bank's clauses.

Table 4.7 shows the flexi loan of EBL which includes the number of customer and the loan amount of bank.

Table 4.7

**Flexi loan of EBL over the period of three years from
FY 2061/62 to FY 2063/64**

(Rs. in million)

Year	Number of customer	Loan Amount
2061/62	225	400
2062/63	445	900
2063/64	745	1350

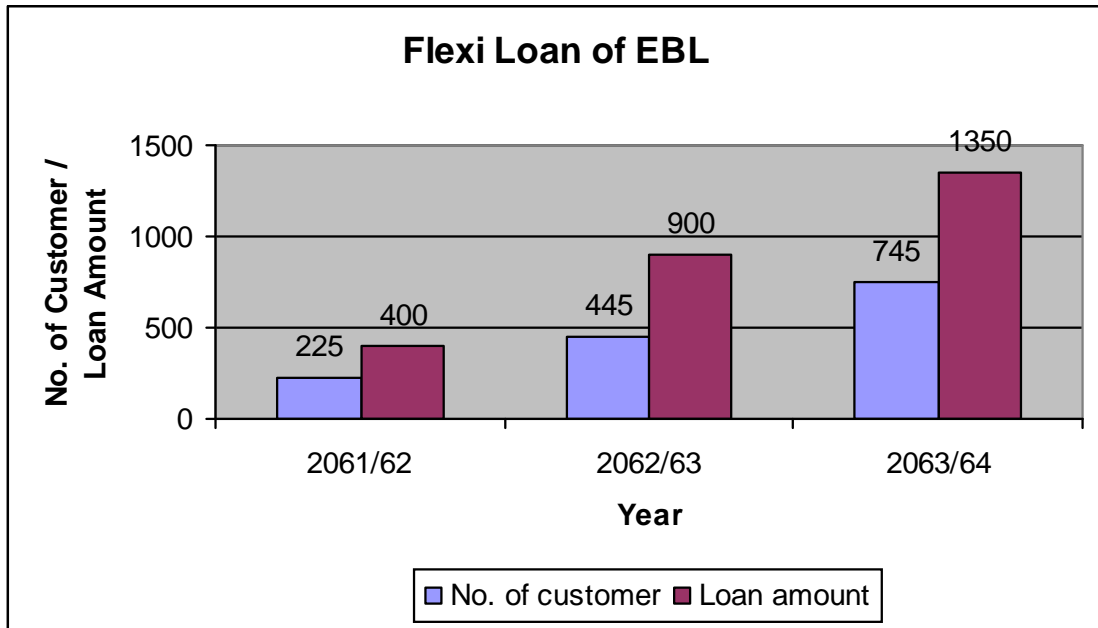
(Source: Annual Report of EBL)

The number of customer of the bank has been increasing gradually in the last three years period. The loan amount of the bank was Rs.400 million during FY 2061/62 with number of customer 225. By FY 2063/64, the loan amount increased to Rs.1, 350 million with number of customer 745.

The flexi loan of EBL has been illustrated in the figure below.

Figure 4.7

Flexi Loan of EBL



The figure 4.7 shows the increasing trend of flexi loan. There is a steady growth in the customer number as well as in loan amount. It shows that the bank and customer are in profitable stage.

4.2.4 Vehicle Loan

Eligibility and purpose of loan

-) Individuals and business concerns can raise loan to purchase new car/van/jeep.

Amount of loan

-) Individuals – Subject to ceiling of 30 times the net monthly salary/income.
-) Business concerns corporate/non corporate need based.

Margin money: At competitive rates.

Interest rate: At competitive rates.

Security

-) Registration of vehicle in bank's name
-) Personal guarantee of the borrower along with the guarantee of spouse (if employed) or third party guarantee acceptable to the bank.

Repayment period

-) Maximum 7 years in equal monthly installments.

Insurance

Charged assets with agreed bank clause.

The vehicle loan of EBL has been illustrated in Table 4.8. The table shows vehicle loan of the bank over the period of last three years from FY 2061/62 to FY 2063/64.

Table 4.8

**Vehicle loan of EBL over the period of three years from
FY 2061/62 to FY 2063/64**

(Rs. in million)

Year	Number of customer	Loan Amount
2061/62	590	360
2062/63	850	580
2063/64	1140	790

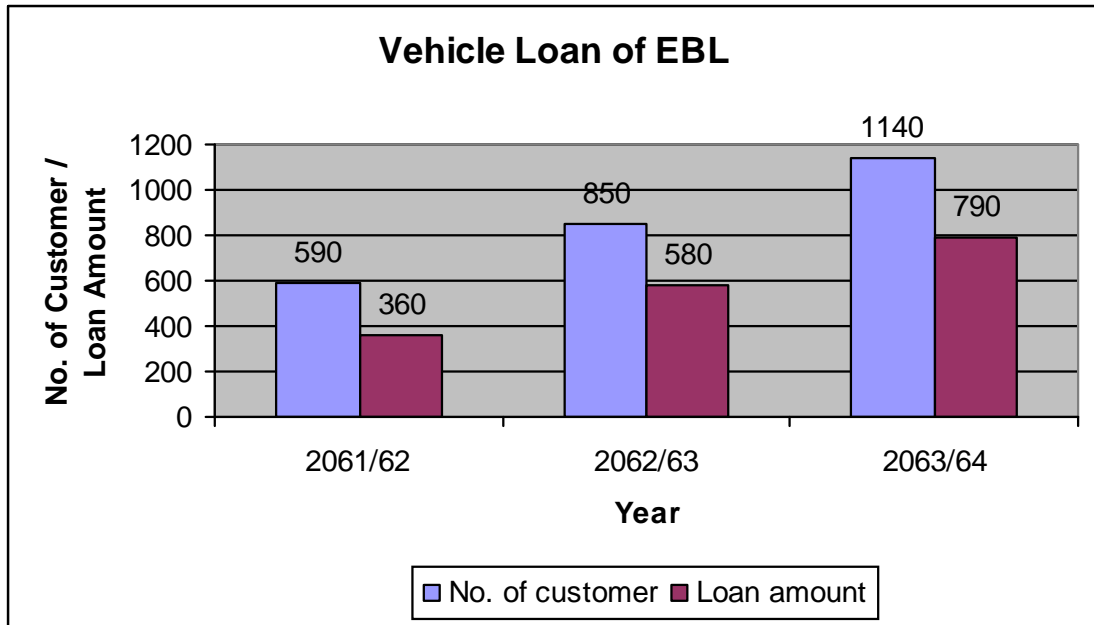
(Source: Annual Report of EBL)

In above table, loan amount and number of customer has increased every year. The lowest loan amount is Rs.360 million in FY 2061/62 and the highest loan amount is Rs.790 million in FY 2063/64.

The vehicle loan of EBL has been illustrated in the figure below.

Figure 4.8

Vehicle Loan of EBL



The Figure 4.8 shows the growing trend of number of customer of the bank during the three fiscal years. The graph even shows that loan amount is in increasing trend.

The increment in the loan amount shows that bank and the customer both are in the profitable stage.

4.2.5 Education Loan

Eligibility and purpose of loan

-) Nepali national between 16-30 years (below postgraduate level).
-) For postgraduate and higher studies, upper age limit 35 years.
-) Applicant's guardian(s) should not be below 21 years.
-) Students scoring at least 50% in their last qualifying examination.
-) Parents/guardians having regular source(s) of income.

-) Employed persons intending to improve educational qualification or to receive training.
-) Students should have secured admission in post graduate or professional course.

Purpose

Loan permitted for following purpose:

-) Admission fees/monthly fees/examination fees.
-) Books and stationeries.
-) Instrument required for course undertaken by borrowing scholar.
-) Boarding and lodging expenses if students putting up in recognized Boarding House where charges are standardized and can be paid to management of Boarding House on behalf of boarders.

Amount of loan

-) For studies in Nepal including SAARC countries – Rs. 15 lacs
-) For studies in abroad - Rs.25 lacs

Margin money: No margin required.

Interest rate: At competitive rates.

Security

-) Personal guarantee of either parent(s) or guardian(s).
-) Collateral securities equivalent to 100% of the loan amount acceptable to bank. (Guardian/ Parent of student to be made co-borrower).

Repayment period

-) 1 year after completion of studies or 1 month after getting employment, whichever is earlier.
-) Principal amount shall be paid in 48-84 monthly installments.

The education loan of EBL has been illustrated in Table 4.9. The table shows education loan of the bank over the period of last three years from FY 2061/62 to FY 2063/64.

Table 4.9

**Education loan of EBL over the period of three years from
FY 2061/62 to FY 2063/64**

(Rs. in million)

Year	Number of customer	Loan Amount
2061/62	190	90
2062/63	340	170
2063/64	520	250

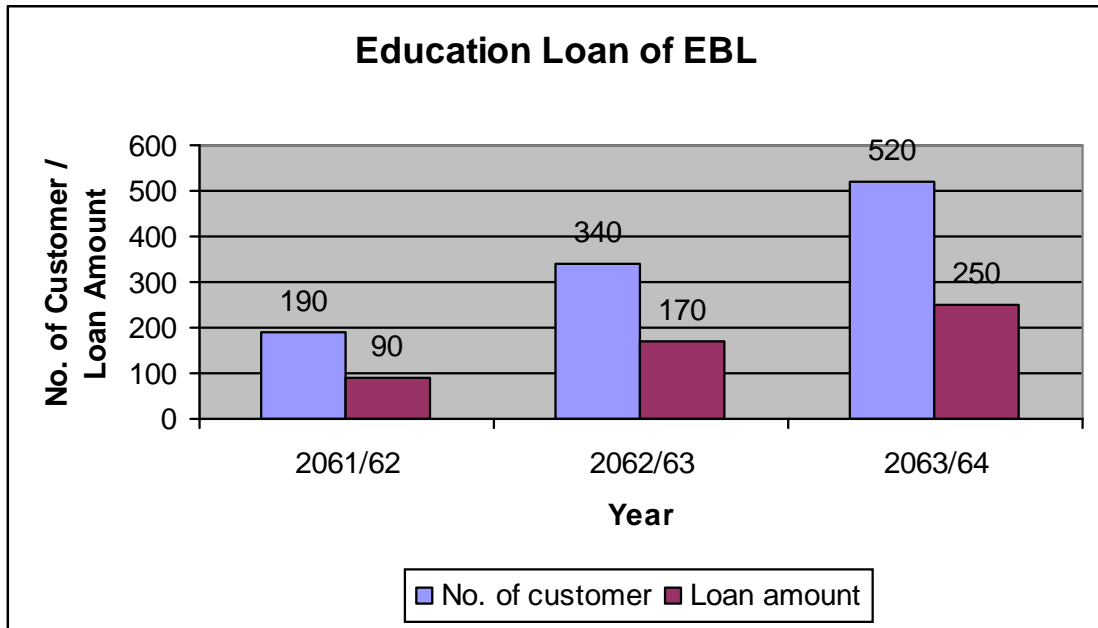
(Source: Annual Report of EBL)

In the last three years period, the number of customer and the loan amount has seen steady growth. In the FY 2061/62, number of customer is 190 whereas the loan amount is Rs.90 million. Similarly, the number of customer has increased from 190 to 340 in FY 2062/63 and 520 in FY 2063/64. The loan amount has also increased from Rs.90 million to Rs.170 million in FY 2062/63 and Rs.250 million in FY 2063/64.

The same information can be depicted in the chart below.

Figure 4.9

Education Loan of EBL



The Figure 4.9 shows the steady increment in education loan during three fiscal years.

4.2.6 Professional Loan

Eligibility

Professionals or self employed persons registered with Nepal Government or Nepal Government recognized authorities and engaged in professions such as:

-) Medical practitioners including Dentists
-) Architects
-) Engineers
-) Chartered Accounts

Purpose

-) Purchase of equipment and furnishing of office premises.
-) Working capital requirement.

Limit: Maximum Rs.25 lacs.

Interest rate: At competitive rates.

Security

-) Hypothecation over goods and assets purchased.
-) Collateral security acceptable to the bank.
-) Personal guarantee of the borrower/director in case of limited company.

Repayment period

-) In maximum 5 years (Including moratorium period of maximum 6 months)

The professional loan of EBL has been illustrated in Table 4.10. The table shows home professional loan of the bank over the period of last three years from FY 2061/62 to FY 2063/64.

Table 4.10

**Professional loan of EBL over the period of three years from
FY 2061/62 to FY 2063/64**

(Rs. in million)

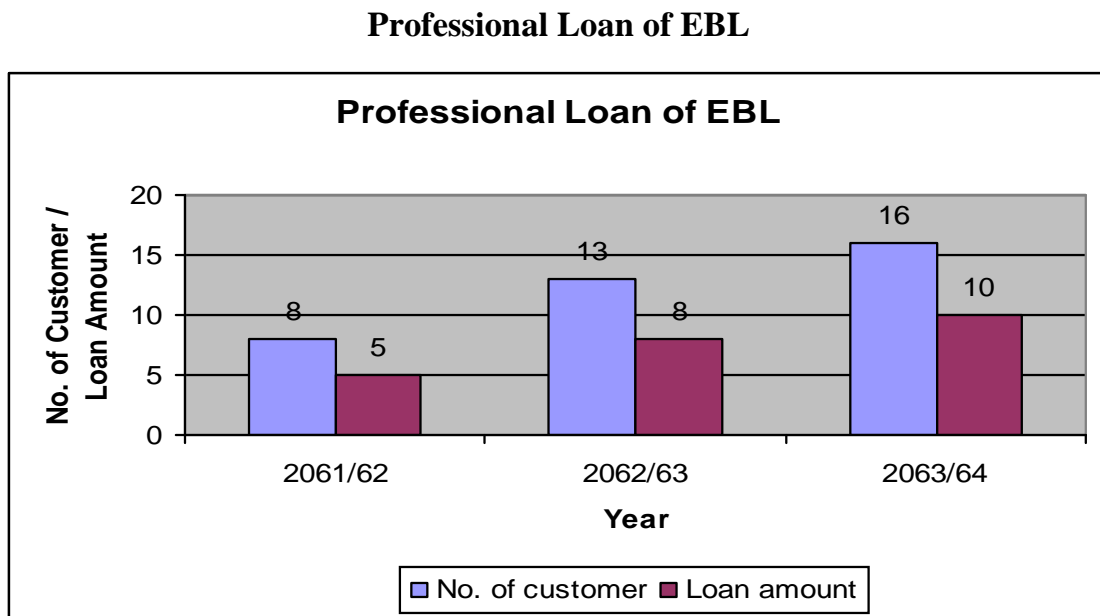
Year	Number of customer	Loan Amount
2061/62	8	5
2062/63	13	8
2063/64	16	10

(Source: Annual Report of EBL)

The above data reveals the status of professional loan. After analyzing the above data it shows that the number of customer and loan amount has increased in each fiscal year. In FY 2061/62, FY 2062/63 and FY 2063/64 number of customer was 8, 13 and 16 respectively. Loan amount was Rs.5 million in FY 2061/62 which gradually increased to Rs.10 million in FY 2063/64.

The same information can be depicted in the chart below.

Figure 4.10



According to the graph, the increasing trend of the professional loan is observed. There has been a gradual increment in both customer and loan amount.

4.3 Comparative study of consumer loan between Himalayan Bank Limited and Everest Bank Limited

Himalayan Bank Limited and Everest Bank Limited have different loan schemes except Home loan and Vehicle loan. So, the comparative study of these loans is only done.

4.3.1 Comparative study in terms of number of customer for Home Loan

Table 4.11

**Comparative study in terms of no. of customer over the period of three years
from
FY 2061/62 to FY 2063/64**

Year	HBL	EBL
2061/62	213	1400
2062/63	338	1900
2063/64	429	2300

(Source: Annual Reports of HBL and EBL)

After analyzing the data, it can be concluded that number of customer of both banks are increasing every year. In FY 2061/62, FY 2062/63 and FY 2063/64 number of customer of HBL were 213, 338 and 429 respectively and number of customer of EBL were 1400, 1900 and 2300 respectively. Though both banks show the increasing trend, number of customer of EBL is higher than of HBL.

Figure 4.11

Comparative study of number of customer for Home Loan

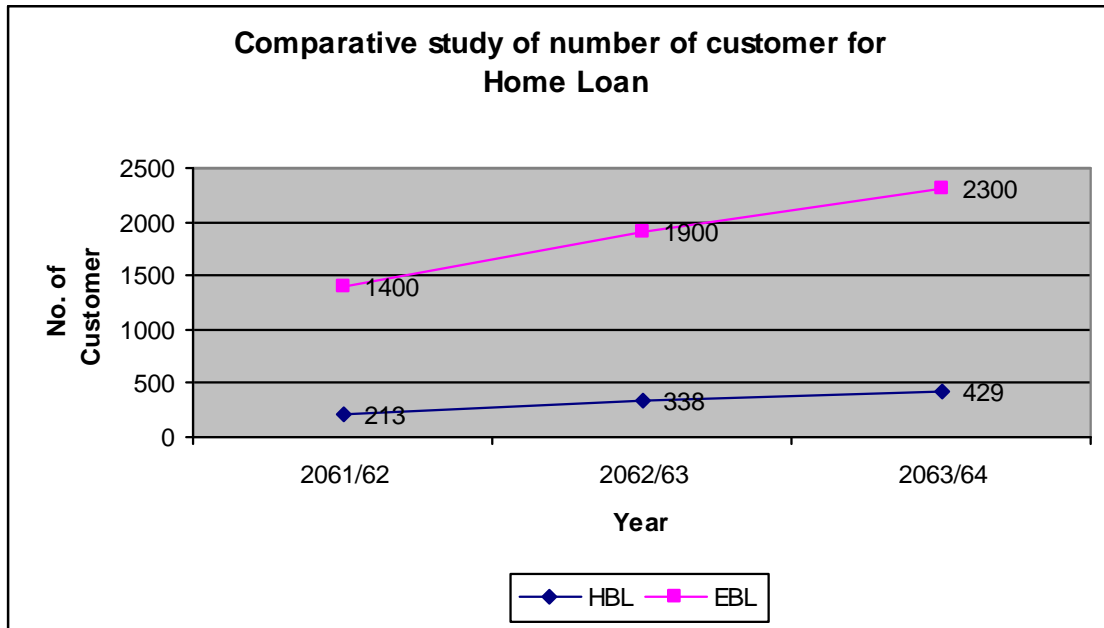


Figure 4.11 reveals the status of home loan in terms of customer of both HBL and EBL. It shows that both banks customer number has increased during three fiscal years.

4.3.2 Comparative study in terms of loan amount for Home Loan

Table 4.12

Comparative study in terms of loan amount over the period of three years from FY 2061/62 to FY 2063/64

(Rs. in million)

Year	HBL	EBL
2061/62	275.40	1080
2062/63	411.21	1590
2063/64	535	2040

(Source: Annual Reports of HBL and EBL)

In above table, loan amount of both banks are increasing every year. But, we can see that the loan amount of EBL is higher than of HBL.

Figure 4.12

Comparative study of loan amount for Home Loan

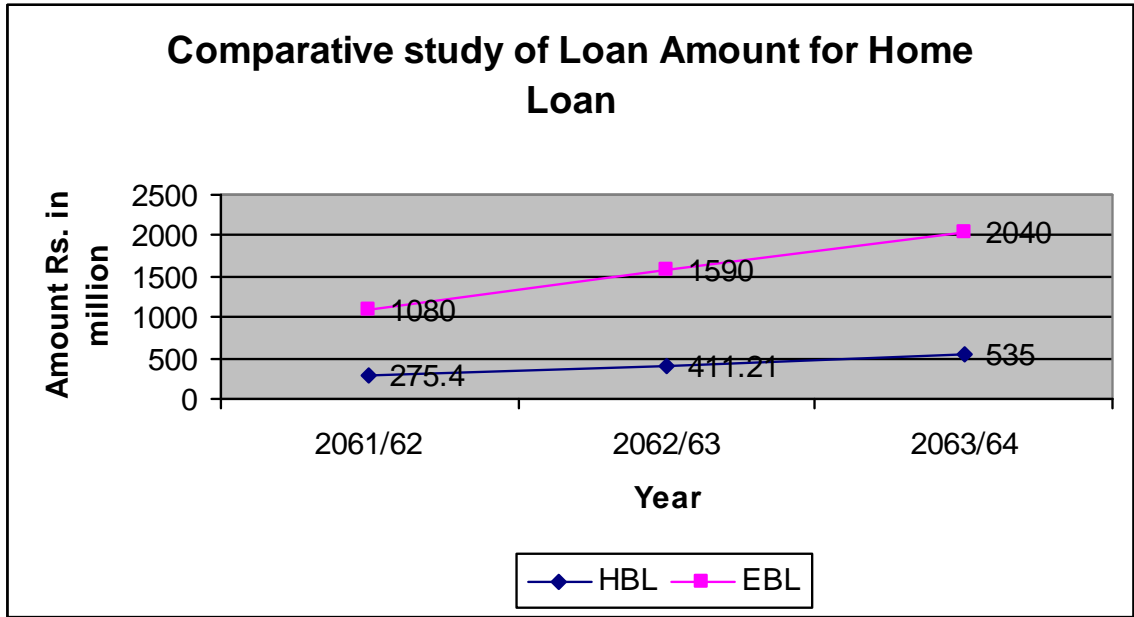


Figure 4.12 displays the steady growth in loan amount of both banks. But it also reveals that the loan amount of EBL is more than of HBL

As the number of customer of EBL is higher than of HBL, its loan amount is also more. Hence HBL should focus to increase the customer number as well as its loan amount.

4.3.3 Comparative study in terms of number of customer for Vehicle Loan

Table 4.13

**Comparative study in terms of no. of customer over the period of three years
from
FY 2061/62 to FY 2063/64**

Year	HBL	EBL
2061/62	2720	590
2062/63	2650	850
2063/64	2650	1140

(Source: Annual Reports of HBL and EBL)

Table 4.13 shows that the number of customer of HBL has decreased in FY 2062/63 and remained same in next year. But EBL data shows increasing trend each year. Though number of customer of EBL shows increasing trend, it is less than the number of customer of HBL.

Figure 4.13

Comparative study of number of customer for Vehicle Loan

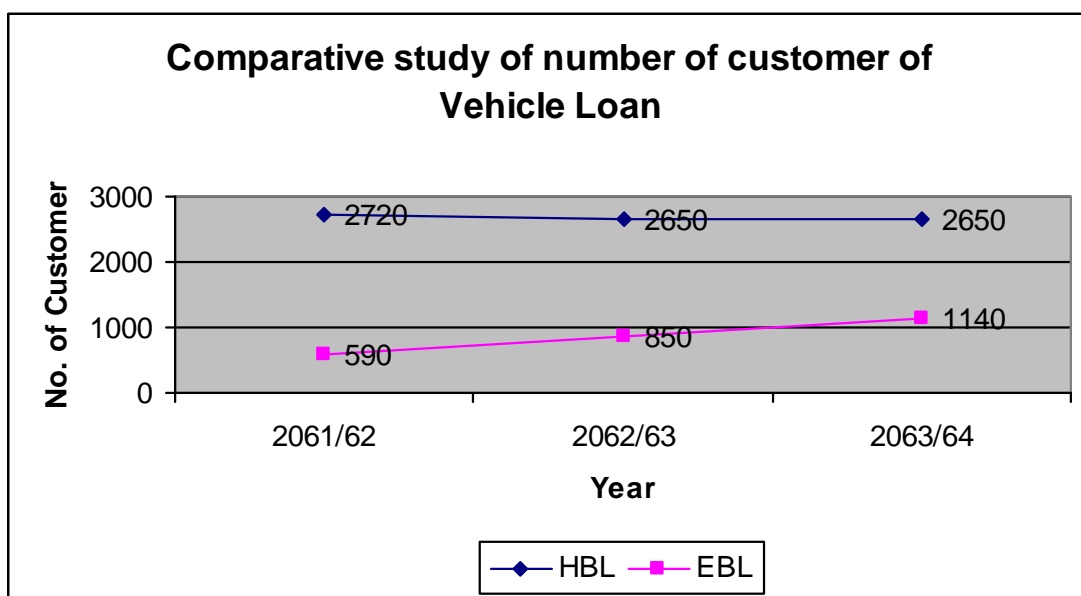


Figure 4.13 displays that there is a steady growth in customer number of EBL but number of customer of HBL has decreased.

4.3.4 Comparative study in terms of loan amount for Vehicle Loan

Table 4.14

**Comparative study in terms of loan amount over the period of three years
from
FY 2061/62 to FY 2063/64**

(Rs. in million)

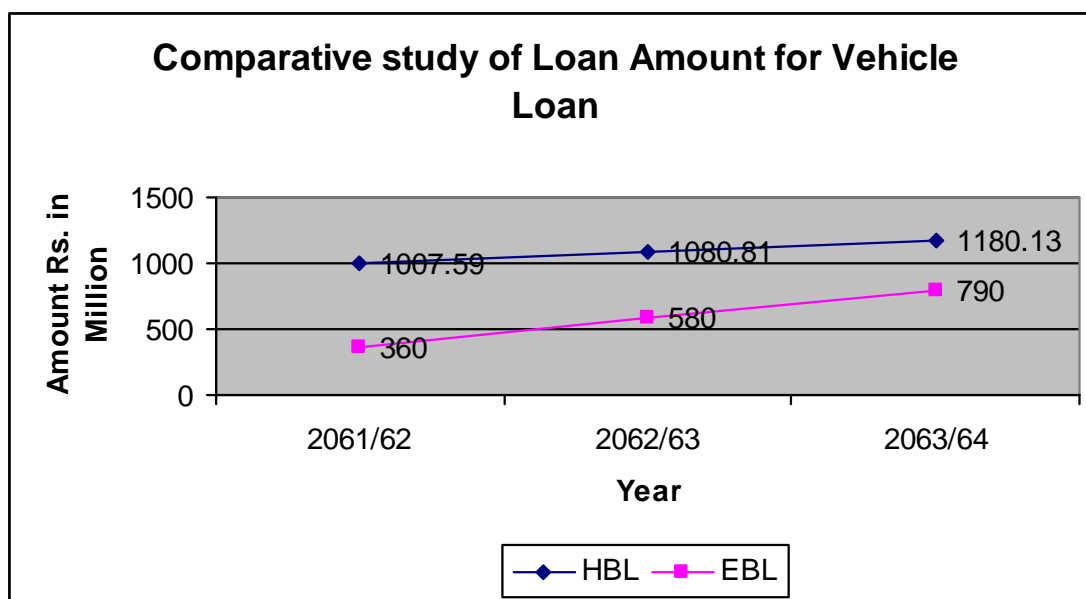
Year	HBL	EBL
2061/62	1007.59	360
2062/63	1080.81	580
2063/64	1180.13	790

(Source: Annual Reports of HBL and EBL)

The above table shows that the loan amount of both banks shows increasing trend during three fiscal years. But the loan amount of HBL is higher than of EBL.

Figure 4.14

Comparative study of loan amount for Vehicle Loan



A steady growth is seen in loan amount of both banks during three fiscal years. Though there is steady growth, loan amount of EBL is lesser than of HBL.

4.4.5 Comparative study in terms of Consumer loan as a proportion of Total loan

Table 4.15

Consumer loan as a proportion of total loan

(Rs. in million)

Year	HBL			EBL		
	Consumer loan	Total loan	%	Consumer loan	Total loan	%
2061/62	1383.48	13451.17	10.29	1936.50	7251.34	26.71
2062/63	1664.40	15761.98	10.56	3248.50	9801.31	33.14
2063/64	2342.37	17793.73	13.16	4440	13664.08	32.49

(Source: Annual Reports of HBL and EBL)

The above table shows that the percentage of consumer loan of HBL is increasing every year. In the FY 2061/62 percentage of consumer loan is 10.29. Similarly, in FY 2062/63 it is 10.56 and in FY 2063/64 it is 13.16.

Percentage of consumer loan of EBL is 26.71 in FY 2061/62 which later increased to 33.14 in FY 2062/63. But in FY 2063/64 percentage of consumer loan has decreased to 32.49.

It can be concluded from the above table that HBL has less amount of consumer loan as compared to EBL whereas more amount of total loan as compared to EBL. After comparing the percentage of consumer loan of HBL and EBL we can see that EBL has higher percentage of consumer loan than HBL.

CHAPTER: FIVE

SUMMARY, CONCLUSION & RECOMMENDATION

5.1 Summary and conclusion

Every corner of the main city we can see the hoarding board with loan facilities and new scheme of each bank mainly to attract the customer. Today's competitive days each and every bank is competing with one another by introducing similar product or different than other product in the market specially focusing the demands of the customer for loan facilities with low interest rates and service rates.

It is true that marketing department of each bank is playing a vital role in analyzing the market trend and customer needs and desire. Any product, service, idea, form or organization needs exposure. These days bank are aggressively introducing new product in the market.

Each and every bank in Nepal is offering competitive schemes to its customers. Every possible facility is being offered to the market. In market consumer loan services has really become competitive. There are many banks with different facilities and services to the customers. It is no doubt that the customers have many options to choose. They can move anywhere they like. To become successful in such situation, each and every marketer is trying to provide as much facilities as it can be offered.

Today's important facility is being provided bank to the customer is consumer loan facilities. Banks don't want to freeze their bulk of amount in only one product

so they introduce different products with different facilities with low interest rates, low service charges and moreover to make it easy for the customer they accept monthly installments. Knowing these requirements banks are offering different schemes to the customer and are trying to diminish the interest rates and down payment.

Customers are motivated by offering necessary products to them. Banks' marketing departments attract customers. Only banks provide consumer loans as and when required, fulfilling their demands and desires.

The effectiveness of consumer loans is increasing day by day. If you see today's context, banks are unable to invest their budget in the tourism sector, so they even find more beneficiaries to invest in these products. As far as it concerns banks, it is advantageous to both parties. These days, bank-secured investment is in consumer loan schemes.

Banks have always brought effective and appropriate schemes to the customers. In the view of security, a bank should always know why a customer is in need of a loan. If a borrower misuses the loan granted by the bank, he can never repay; therefore, in order to avoid this situation, each and every bank should demand all the essential detailed information about the scheme of the project or activities. Banks should be careful not to grant loans in only one sector. To minimize risk, a bank diversifies its investment on different sectors. Diversification of loans helps to sustain losses according to the law of averages; if a security of a company is deprived of; there may be an appreciation in the securities of other companies; if a security of another company is deprived of; there may be an appreciation in the securities of other companies. In this way, losses can be recovered.

Loans and advances are the main sources of income for a bank. Bank deposits can grow beyond a desired level, but the level of loans, advances, and overdrafts will never reach it. The facilities of granting loans and advances are the main services in which customers of the bank can enjoy.

Funds borrowed from banks are much cheaper than those borrowed from unorganized moneylenders. The demand for loan has excessively increased due to cheaper interest rate. Furthermore, an increase in an economic and business activity always increases the demand of funds. Due to limited resources and increasing loans, there is some fear that commercial banks and other financial institutions too may take more preferential collateral while granting loans causing unnecessary botheration to the general customers. Such loan from these institutions would be available on special request only and there is a chance of utilization of resources in economically less productive fields. There lies the undesirable effect of low interest rate. In addition to this, some portion of loan and advances includes that amount which is given to staff of the bank for house loan, vehicle loan, personal loan and others, in mobilizing of commercial banks fund; loan and advances have occupied a large portion.

5.2 Recommendations

On the basis of analysis, findings, issues and gaps of the study, following suggestions or recommendations can be advanced to overcome weakness, inefficiency and to improve present fund mobilization and investment policy of bank.

Here are some recommendation points, which are found to be considered to increase the marketing performance of bank to achieve the banks goals for betterment of future.

- To get success in competitive banking environment, depositors' money must be utilized as loan and advances. The largest item of the bank in the asset side is loan and advances. If it is neglected, then it could be the main cause of liquidity crisis in the bank and one of the main reasons for a banks failure. It has been found from the study of EBL and HBL that the

consumer loan supplied by EBL is higher than that of HBL. So, HBL should focus to increase its level of consumer loan. To overcome this situation HBL is recommended to follow liberal lending policy and invest more and more percentage of total deposits in loan and advances and similarly, maintain more stability on the investment policy.

- Most of the customers are interested in home loan and vehicle loan, so both banks should give more facilities in these loans to increase the customer number.
- It is recommended to both banks to inform customers about their product in the market through different media such as; brochures, pamphlets, internet excess and reports.
- It will be more informative if bank provide all the detail information in the website. So that if anybody needs information they can visit in the website.
- At the time of collecting data's it has been very difficult to get yearly data of number of customer because the data's where counted in total. If they maintain to keep record in yearly basis it will be helpful to marketing department.
- To make very clear to the customer, bank should make transparent in service charge and interest rate.
- The promotional scheme should be brought according to the changing needs and desire of the customers.
- Marketing department must be well trained about the competitors.

- Interest rate and service charge should be minimum to as per acceptable by customers.
- For the benefits of the bank, they have to offer new schemes in the market.
- Should keep update information of the competitors and its product.

It has been found that most of the people are unknown about different consumer loan facilities provided by the bank. Though loan and advances to total deposit of Everest Bank Limited is better but it seems that it is necessary to make more improvement in coming days. Sound and liberal lending policy would help both banks in this regard.

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Survey questionnaire for bank

1. Is it a good deal for bank?
Yes No
2. Is it taking a good place in the market?
Yes No
3. What factors guarantees the loan?
4. Who are eligible?
5. How to get a loan?
6. What are the requirements of loan approval?
7. How do you inform them?
Brochures Website Advertisement
8. How long it will take to get approved for loan?
9. Have you ever faced any difficulties from the competitive market?
Yes No
10. How much is charged for the service?
11. Is the interest rate high?
Yes No
12. What type of loan do clients offer the most?
Home loan Auto loan Education loan

Others
13. What do you think the reasons behind?
14. Does it correlate with one another?
Yes No
15. What factors will motivate them to get loan in the market?
16. Do you have plans to introduce other services in the market?

Survey questionnaire for Customer

1. How did you know about the consumer loan?
2. Which of the following scheme you offer most?

Home loan

Auto loan

Education loan

Others

3. Is it beneficial to you?

Yes

No

4. Do you have to face any difficulties to apply for home loan?

Yes

No

5. Do you know which bank offers what product in the market?

Yes

No

6. Is the interest rate high?

Yes

No

7. How is the bank service charge?

8. Is it good deal for customer?

Yes

No

9. What suggestion would you like to give to bank regarding consumer loan?