FUND MOBILIZATION OF COMMERCIAL BANKS

(A Case Study of NCC Bank Limited and NABIL Bank Limited)

By:

SUNITA DEVKOTA

Shanker Dev Campus

Campus Roll No.: 1655/062

T.U. Regd. No.: 7-1-241-360-2000

Second Year Symbol No.: 7551

A Thesis Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University



In partial fulfillment of the requirement for the Degree of Master of Business Studies (MBS)

Kathmandu, Nepal May, 2010

RECOMMENDATION

This is to certify that the Thesis

Submitted by: **SUNITA DEVKOTA**

Entitled:

"FUND MOBILIZATION OF COMMERCIAL BANKS IN NEPAL"

(A case study of NABIL Bank Limited and NCC Bank Limited)

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

Prof.Snehalata Kafle	Prof. Bisheshwor Man Shrestha	Prof. Dr. Kamal Deep Dhakal
(Thesis Supervisor)	(Head of Research Department)	(Campus Chief)
Mr.Govinda Bdr. Thapa		
(Thesis Supervisor)		

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

by

SUNITA DEVKOTA

Entitled:

"FUND MOBILIZATION OF COMMERCIAL BANKS IN NEPAL"

(A case study of NABIL Bank Limited and NCC Bank Limited)

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

Master Degree of Business Studies (M.B.S.)

Viva-Voce Committee

Head, Research Department	•••••
Member (Thesis Supervisor)	
Member (Thesis Supervisor)	
Member (External Expert)	

DECLARATION

I, Hereby declare that the work reported in the thesis entitled "FUND MOBILIZATION OF COMMERCIAL BANKS IN NEPAL" (A case study of NBIL Bank Limited and NCC Bank Limited) Submitted to office of Dean faculty of Management Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements for the Master's of Business Studies (MBS) under the Supervision of *Mrs. Shehalata Kafle and Mr. Govinda Bahadur Thapa, Shanker Dev Campus, Tribhuvan University.*

Sunita Devkota
Researcher
Date:

ACKNOWLEDGEMENT

The thesis work "FUND MOBILIZATION OF COMMERCIAL BANKS IN NEPAL" (A

case study of NABIL Bank Limited and NCC Bank Limited) has prepared for fulfilling

partial requirement of the Master's Degree in Business Studies (M.B.S.) under the

supervision of Prof. Snehalata Kafle, and Mr Govinda Brdr. Thapa, Shanker Dev

Campus.

I have great pleasure to express my gratitude and sincerity to my thesis supervisor Prof.

Snehalata Kafle, and Mr Govinda Brdr. Thapa, Shanker Dev campus for this excellent

and helpful guidance and supervision. I shall even remain indebted to him for this

valuable direction, useful suggestion and comments during the course of preparing this

thesis. Without his help, this work would not be come in this form.

I would like to express my sincere gratitude for providing timely co-operation provided

by library and all the other staffs of SDC and central library of T.U.

I would also like to thank all the staff of Insurance Company especially the staff of

Budgeting Department for their valuable help for providing Data of Various Years

without hesitation.

Finally, I would like to express deep gratitude to my family members and Mr. Ganga

Koirala for Continuous help and Support While Preparing this work.

Sunita Devkota

Researcher

TABLE OF CONTENTS

RECOMMENDATION VIVA- VOCE SHEET DECLARATION

ACKNOWLEDGEMENTS TABLE OF CONTENTS LIST OF TABLES

LIST OF FIGURES ABBREVIATIONS

	Page No
CHAPTR I- INTRODUCTION	
1.1 Background of the Study	1
1.2Statement of the Problem	5
1.3 Objectives of the Study	6
1.4 Significance of the study	7
1.5 Limitations of the Study	7
1.6 Organization of the study	8
CHAPTER II-REVIEW OF LITERATURE	
2.1 Conceptual Review	9
2.1.1. Commercial Banking scenario in Nepal	13
2.1.2. Fund Mobilization policy	14
2.1.3 Some Important Term	15
2.1.4New Policy conducted by Nepal Rastra bank	
for the establishment of commercial banks	17
2.1.5. Fund Mobilizing procedure of joint venture banks	19
2.1.2.1. Role of Commercial Banks in Nepal	23
2.2 Review of Related Studies	24

2.2.1 Review of Articles	24
2.3 Review of Thesis	26
2.4 Research	
CHAPTER III-RESEARCH METHODOLOGY	
3.1 Research Design	32
3.2 Population & Sample	32
3.3Nature and Sources of Data	33
3.4 Analysis of Data	33
3.4.1 Financial Tools	34
34.2 Statistical tools	39
CHAPTER IV- DATA PRESENTATION AND ANALYSIS OF DATA	
4.1 Financial tools	43
4.2 Statistical tools	65
4.3Trend Analysis	70
4.4 Analysis of Primary Data	75
4.5 Major findings	79
CHAPTER V-SUMMARY CONCLUSION AND RECOMMENDATIONS	
5.1 Summary	83
5.2 Conclusion	84
5.3 Recommendations	86
Bibliography	
Appendix	

LIST OF TABLES

	Page No.
4.1 Cash and bank balance to total deposited ratio	44
4.2 Cash and bank balance to current assets ratio	45
4.3 Investment on government securities to current asset ratio	47
4.4Loan and advance to current assets ratio	48
4.5 Total investment to total deposit ratio	50
4.6 Loan and Advance to working capital ratio	51
4.7 Investment in government securities to total working fund ratio	53
4.8 Investment on share and debenture to total working fund ratio	54
4.9 Return on loan and advance ratio	56
4.10 Total interest earned to total working fund ratio	57
4.11 Liquidity risk Ratio	59
4.12 Credit Risk Ratio	60
4.13 Growth Ratio of total deposit	62
4.14 Growth Ratio of loan and Advance	63
4.15 Growth ratio total investment	64
4.16 Growth ratio of net profit	65
4.17 Relationship between Total deposits and Loans and Advance	66
4.18 Relationship between Total deposits and investment	67
4.19 Relationship between Total deposited and net profit	68
4.20 Relationship between Total assets and net profit	70
4.21 Trend value of total Deposits of NCC and NABIL bank	71
4.22Trend analysis of loan and advance of NABIL AND NCC BANK	73
4.23 Trend value of net profit of NABIL and NCC bank	74
4.24 Knowledge with investors about fund mobilization policy	75
4.25 Reason for not interest of investors in fund mobilization policy	76
4.26 Indication the level of risk in investing in current situation	76

4.27 Sectors of investment that commercial banks invest their fund	77
4.28 Priority to give investment to the rural area of the country	77
4.29 Reason for increasing minimum threshold balance and reduction	
of interest rate on the client's deposits	78
4.30 Reasons behind for not providing banking facilities to the rural areas	79

LIST of FIGURE

	Page no.
4.1 Cash and bank balance to total deposited ratio	44
4.2 Cash and bank balance to current assets ratio	46
4.3 Investment on government securities to current asset ratio	47
4.4 Loan and advance to total deposits ratio	49
4.5 Total investment to total deposited ratio	50
4.6 Loan and advance to working fund ratio	51
4.7 Investment in government securities to total working fund ratio	53
4.8 Investment on share and debenture to total working fund ratio	55
4.9 Return on loan and advance ratio	56
4.10 Total interest earned to total working capital	58
4.11 Liquidity risk Ratio	60
4.12 Credit Risk Ratio	61
4.13 Growth Ratio of total deposit	62
4.14 Growth Ratio of loan and Advance	63
4.15 Growth ratio total investment	64
4.16 Trend values of total deposited on NABIL and NCC	72
4.17 Trend Analysis of Loan and Advances of NABIL and NCC	73
4.18 Trend of Net profit of NABIL and NCC	74

ABBREVIATION

B.S. : Bikram Sambat

BOKL : Bank of Kathmandu

C.V : Coefficient of Variation

EBL : Everest Bank Limited

EPS : Earning Per Share

F/Y : Fiscal Year

HBL : Himalayan Bank Ltd.

JVB : Joint Venture Bank

NABIL : Nabil Bank Ltd.

NBBL : Nepal Bangladesh Bank Ltd.

NBL : Nepal Bank Limited

NCC : Nepal Credit and Commercial Bank Ltd

NIDC : Nepal Industrial Development Corporation

NRB : Nepal Rastra Bank

NSBL : Nepal State Bank of India Ltd.

PEr. : Probable Error

r : Coefficient of Correlation

RBB : Rastriya Banijya Bank

Rs. : Rupees

S.D : Standard Deviation

SCBNL : Standard Chartered Bank Nepal Ltd.