DEPOSIT MOBILIZATION OF COMMERCIAL BANKS IN NEPAL

A Dissertation Submitted to the office of the Dean, Faculty of Management
in partial fulfilment of the requirements for the Master's Degree

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "Deposit Mobilization of Commercial Banks in Nepal". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purpose.

Bhoj Raj Upadhaya

Signature:

Date of Submission:

RECOMMENDATION

This is to certify that the dissertation
Submitted by
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Entitled
"DEPOSIT MOBILIZATION OF COMMERCIAL BANKS IN NEPAL"
has been prepared as approved by this department in the prescribed format of the
faculty of management. This dissertation is forward for examination.

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REPORT OF RESEARCH COMMITTEE

Mr. Bhoj Raj Upadhaya has defended research proposal entitled "Deposit Mobilization of Commercial Banks in Nepal" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidance of supervisors Dr. Prakash Neupane and Asso. Prof. Dr. Jitendra Pd. Upadhyay and submit the dissertation for evaluation and Viva-Voce examination.

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APPROVAL SHEET

We have examined the dissertation entitled "Deposit Mobilization of Commercial Banks in Nepal" presented by Mr. Bhoj Raj Upadhaya for the degree of Master of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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I am delighted to present this dissertation entitled "Deposit Mobilization of Commercial Banks in Nepal" to the head of the research department, Nepal Commerce Campus, in partial fulfillment of the requirement for the degree of Masters in Business Studies (MBS), Faculty of Management, Tribhuwan University. The completion of this dissertation would have been considerably difficult without the help, co-operation and suggestion of respected supervisors Dr. Prakash Neupane and Asso. Prof. Dr. Jitendra Pd. Upadhyay. I am indebted to him for his kind support in spite of his business. My utmost thank goes to all the teachers, friends and staff for enabling me to carry out my study providing required information, reports as required in my study even in their busy schedule. Besides, I would like to thanks my friends for assisting in conducting IBM SPSS version 25 software and interpreting the data. Their cooperation and friendliness towards learner like me have always remained as a motivating factor.

Bhoj Raj Upadhaya

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ABBREVIATIONS

&	:	And
ACM	:	Advance Credit Management
AD	:	Annon Domini
ANOVA	:	Analysis of Variance
CRR	:	Cash Reserve Ratio
DPR	:	Dividend Payout Ratio
e	:	Error Terms
et. al.	:	And Others
etc.	:	Etcetera
i.e	:	That is
LAR	:	Loan and Deposit Ratio
Ln	:	Log
NABIL	:	Nepal Arab Bank Limited
NP	:	Net Profit
NPLR	:	Non-performing loan ratio
NRB	:	Nepal Rastra Bank
r	:	Coefficient of correlation
Rs.	:	Rupees
S.D.	:	Standard deviation
SNMA	:	Sanima Bank Limited
TD	:	Total Deposit
β	:	Beta Value

ABSTRACT

The study entitled "Deposit Mobilization of Commercial Banks in Nepal" has been conducted having two samples such as Sanima and NABIL bank Limited out of total 27 commercial banks. The purposive sampling technique has been chosen on the basis of nature of study. The total number of observations is ten having five years' annual financial data. As per research design, descriptive and causal comparative research designs have been employed. The statistical tools consist of mean, standard deviation as well as the inferential statistic consists of mainly correlation for better evaluation of undertaken variables such as loan and advance ratio, net profit and total deposit mobilization.

In conclusion, the loan and advance has positive and significant relationship with both net profit and total deposit mobilization. Thus, they move in the same direction. An increment over total loan and advance as well as net profit would lead to an increment over total deposit and vice-versa. The position of profitability in commercial banks is satisfactory and found to be increasing per year. Similarly, the effect of both net profit and loan and advance over total deposit mobilization is significant and positive. Therefore, an effective mobilization of total deposit would increase the profitability of commercial banks. However, loan and advance also have positive effect on deposit mobilization of commercial banks which indicates proper maintenance of loan and advance out of total deposit mobilization would increase profitability of banks.

CHAPTER-I
INTRODUCTION

1.1 Background of the Study

With the financial liberalization, the number and types of financial institution in developing countries have surged within recent years. The financial system has become more complex day-by-day comprising of government as well as private sectors financial institutions including bank, insurance companies, mutual fund, finance companies and investment banks. Financial institutions have great influence in the country's economy as they assist in economic development of the country. The role of banks in a financial market is that of a financial intermediary, which makes use of loan and deposit services to effectively channel the idle funds of the public into valuable production and other investment projects helping people to reach their goals. It enables people to save for the future, invest in profitable business opportunities and to protect themselves against unpredictable shocks. Banking system is the backbone of financial intermediation through the mobilization and channeling of financial resources. The recent developments in banking technology have transformed banking from the traditional brick-and-mortar infrastructure of staffed branches to a system supplemented by other channels like Automated Teller Machines (ATM), credit/debit cards, internet banking, online money transfers, etc (Bello, 2005).

Banks in performing their pivotal role in the economy, facilitate financial settlement through the payment system, influence money market rates and provide a means for international payment. The sector mobilizes funds from the surplus-spending units into the economy and by on lending such funds to the deficit spending units for investment, banks in the process increase the quantum of national savings and investment (Mordi, 2004)

Individual and entities need money to pursue their daily business, so they place their money at money market to earn interest is termed as deposit. It is a liability owed by bank and

other financial institution to the depositor. Deposits of commercial banks are the money deposited by the individuals and the corporation in different form of accounts with the expectation of earning certain stable return, safety, easy transaction and so on.

Deposits are the basic raw materials for credit mobilization of the banks. Deposits are the source of any commercial banks as bank operates by collecting deposit from all over the country and mobilizing it into lending activities either directly by loaning or indirectly through capital market. Dispersed resource holds no meaning unless and until they are properly accumulated to utilized and mobilized efficiently and effectively in some productive and development sector.

Deposits are indispensable tool in banking industry used to enhance its profitability through advancing deposits to its customers in form of loans which yield interest to the banks. The lending activity is made possible only if the banks can mobilize enough funds from their customers.

Deposits mobilization is one of the important functions of banking business. It is an important source of working fund for the bank and other financial organization. Deposit mobilization is an indispensable factor to increase the sources of the banks to serve effectively. Mobilization of deposit plays an important role in providing satisfactory service to different sectors of the economy. The successful functioning of commercial banks depends on the extent of funds mobilized. Deposits are the lifeblood of banking companies. Deposits constitute a vital source of funds required for banking business. There are different types of deposits with different maturity pattern carrying different rates of interests. Deposit mobilization is depending on the cost of deposits, offering attractive deposits rates on bank deposits can gain high deposit mobilization (Philip, 1968).

In banking, sector deposit mobilization is a scheme intended to encourage customers to deposit more cash with the bank and this money in turn will be used by the bank to disburse more loans and generate additional revenue for them. Deposits mobilized by banks play a key role not only as an important source of funds for banks but also as instrument for promoting saving and banking habit among the people. The size of the deposits largely

decides the lending potential of a bank. Mobilization of deposits for a bank is as essential as oxygen for human being. Banks play intermediary role of mobilizing funds from savers (those who have excess funds) and subsequently lending them to investors (those who are deficient in funds). Banks contribute to the economic growth by facilitating investment and increasing capital accumulation and it is capable only if the banks have satisfied amounts of deposits.

The commercial banks must tap deposits from urban and rural areas. Adams (1978) argued in support of mobilizing voluntary saving from rural pro poor households on various grounds. Adams recognized the potential of voluntary saving mobilization for overall strengthening of the rural financial markets. According to Adam, the voluntary saving mobilization plays a significant role in strengthening local service organizations. Moreover, it has a favorable impact on discouraging household consumption. It is pleasing to note that commercial banks of Nepal have accepted the new challenge and been making great efforts in finding out and exploiting new sources of deposits in rural area too, where it is hard to operate due to insufficient infra-structure and other technical assistant from the part of government. This helps the banks to provide large amount of funds to priority sectors for development. Commercial banks of Nepal are now trying to fascinate more deposits by introducing attractive savings structures. Under the provision of Nepal government to maintain banks accounts of every Nepali citizen, the Government had impressed upon the banks to operate every rural part of the country and make all possible efforts to search for new deposits, because the growth of any country's economy depends on capital accumulation, which in turn depends on investment and an equivalent amount of savings to match it.

Mohan (2012), Mobilization of deposits is one of the important functions of banking business. It is an important source of working fund for the bank. Deposit mobilization is an indispensable act or to increase the sources of the banks to serve effectively. Mobilization of deposit plays an important role in providing satisfactory service to different sectors of the economy. The success of the banking greatly lies on the deposit mobilization.

To mobilize enough deposits, banks should present various kind of deposit schemes to attract customers. Normally customers have various kinds of needs and wants with respect to their gender, age, profession, level of income, type of necessity, tenure, size of business and so many other factors lead to make a discrepancy among customers when they deposit their money in banks. According to Banson (2013), deposit mobilization is the collection of cash or funds by a financial institution from the public through its current, savings and fixed amounts and other specialized schemes.

There should be strategy requires as policy and procedural changes, development of innovative programs and improvement in the quality of services provided to the depositors. Furthermore, the quality of banking services depends on several factors as, interest rate, banking time, promotion, branching policy. The expansion of banking facilities is the key factor for deposit mobilization and when providing facilities accessibility is the most important factor. Innovative approaches, Interest rate policy, more incentives to depositors, more incentives to bank employee when achieving targets on deposit mobilization, training for bank employees and expansion of infrastructure play important role for to raise deposit from depositor (Khalily, 1987).

According to Banson (2013), deposit mobilization is the collection of cash or funds by a financial institution from the public through its current, savings and fixed amounts and other specialized schemes. Normally deposits are considered as the cost effective working funds that can increase the sustainability and profitability of the deposit taking institutions (Garo, 2015).

The stability of the banking system, financial system and the entire economy is linked like a chain and if one internode is damaged it would affect to the all other industries as well as. In order to, ensure the congenial atmosphere banks should be able to raise enough amounts of deposits. Therefore, appropriate, timely and well-planned policy instruments and programs should be implemented in order to increase the deposit mobilization.

Acceptance of deposits and mobilization productive sector is the crucial function of commercial Banks. As such, deposit mobilization is one of the basic innovations in

Nepalese Banking activity. Hence, in this study an attempt is made to evaluate the gears of deposits mobilization on the financial performance of Nabil Bank Limited and Sanima Bank Limited.

1.1.1 A Brief Profile of Sample Bank

NABIL Profile

NABIL Bank Limited (erstwhile Nepal Arab Bank Limited) commenced its operation on 12th July 1984 as the first private sector commercial bank. Nabil started as a joint venture with Dubai Bank Limited and worked in joint venture with Emirates Bank International, Dubai and National Bank Limited, Bangladesh. The bank latter divested its stake in Nabil which was ultimately taken over by NB International, an Ireland based special purpose vehicle associated with CG Group. Nabil is the pioneer in introducing the customer centric banking including many innovative products and marketing concept in banking industry of Nepal. Nabil continues to maintain its recognition as the brand of choice across all strata of customers including retail, SMEs, large corporate, state owned enterprises, not for profit entities and multinational development agencies. The Bank serves complete line of commercial banking products through branch banking, treasury, trade, cards, remittance and investment banking. The Bank operates through network of 79 branch offices, 129 ATMs, numerous POS terminals, remittance agents spread across the nation and over 170 international correspondent banking relationships. Branch banking is at the core of the Bank's operations that has enabled the Bank to reach to a larger client bases and build one of the largest retail and corporate books among domestic banks.

Today, Nabil Bank is in a unique position in the banking industry in Nepal. As the nation's first joint venture bank, it has an unmatched 35 years of operational experience, giving it unparalleled insight into the market, risks, opportunities and customer needs. In conjunction to this, the bank today surges ahead in meeting its Mission to be the "Bank of 1stChoice" for all its stakeholders.

Sanima Bank Limited Profile

Sanima Bank limited a youngest commercial bank promoted by the prominent and dynamic Non-Resident Nepalese (NRNs) businessperson commenced its operation in 2004 as a development bank. Sanima was the first 6 private sector national level development bank

in the country to be capitalized at NPR 320 million. Today Sanima has completed about 15 years of consistent profitable operation. Its head office is located at Naxal, Kathmandu. In the pursuit of sustainable growth, Sanima has 79 full-fledged branches within and outside the Kathmandu Valley and further plans to expand its reach in the various parts of the country.

Sanima received the operating license from NRB to function as an "A" Class Commercial Bank in 2012 and has achieved the triumph to establish itself as a Strong and Reliable commercial Bank in Nepal. The current shareholding pattern of the Bank constitutes of promoters holding 51 percent and public holding 49 percent. The bank has increased its paid capital to RS 8.8 billion from some 2 billion to upgrade into commercial bank.

Sanima provides one-window financial solutions to the different customer segments and to achieve healthy growth in profitability consistent with the bank's risk appetite Sanima has been committed to meet customer expectations in all areas of its business through continuous improvement for overall benefit of the economy.

1.2 Problem Statement

Nepal has stepped up in developing country from the list of under developed countries; hence, rapid economic growth is the expectation of each individual and entity. Financial development is crucial to economic growth and banks are the most important elements of the financial system. Banks as financial intermediaries are expected to provide a place for people to save incomes remaining after consumption. It is only possible from the deposit collected from public for extending credit facility to entrepreneurs and other industrialist. However, deposit mobilization has become major challenge in present competitive market in Nepal.

In the process of deposit mobilization, i.e. accepting deposit and granting loan, banks encounter problems. Few of the problems include; most of the time customers use assets with low values as collateral for borrowing money from banks. Hence, in case the borrowers fail to pay back the loan, they obviously forced to sell the pledged asset at the amount less than the borrowed money (at loss). Banks also face problems while they determine interest rate, i.e. since there are many competitors; they try to overcome so many

challenges to determine the interest rates that are equivalent to their competitors. Unless it's difficult, exist longer. The other problem is that, since most of the capital of the bank is composed of the deposit they accept from their customers, without promoting modern banking technology they may also get losing their customers.

Commercial bank increases on their ability to generate income through their lending activities. The lending activity is made possible only if the banks can mobilize enough funds from their customers. Since commercial banks depend on depositor's money as a source of funds, it means that there are some relationships between the ability of the banks to mobilize deposits and the amount of credit granted to the customers. Thus, the main function of financial institutions of mobilizing funds from the surplus economic agents to the deficit economic agents is put to test in order to generate economic growth. However, the efficiency of performing this function depends on the level of development of the financial system.

Nepal has been struggling to maintain macroeconomic balance for a couple of years. Low growth rate, high unemployment, balance of payments deficit, ballooning trade deficit, and high and sticky inflation are some of the existing macroeconomic challenges. Trade deficit has widened by 17.2 percent to Rs.1211.96 billion in the eleven months of 2018/19 although as per the first quarter review of 2019/20 it has declined by 12.0 percent. Similarly, current account registered a deficit of Rs. 21.79 billion in the review period. High current account deficit is due to the high volume of imports than exports. Now, add to that list banking and liquidity crises engendered largely by the Bank and Financial Institutions (BFIs) themselves and to some extent by Nepal Rastra Bank (NRB), the central Bank and its disastrous consequences in and beyond the banking system.

The number of bank and financial institutions are increasing rapidly in Nepalese market. There already twenty-eight commercial bank in operation, consequences of which the liquidity position of banks is weak and nearly to breach the regulatory requirement (CCD ratio). This is an attempt made to analyze the efficiency of Nepalese commercial bank based on the deposit and its mobilization made by the sample bank. The following are the

statement of the problem in this research work related to the collection of fund and its mobilization:

i)   What is the relationship between total deposit mobilization, loan & advances and profitability of Nepalese commercial bank?

ii)   What is the profitability position of commercial banks in Nepal?

iii)   Do profitability and loan & advance have effect on total deposit mobilization of commercial banks?

iv)   Are the Nepalese commercial banks mobilizing their deposit efficiently?

1.3 Objectives of the Study

The major objective of this study is to determine the effects of deposits mobilization on the financial performance of sample commercial banks. This research work are to examine the efficiency of NABIL Bank and Sanima Bank Limited by making a study of deposits mobilization of sample bank how they utilize to fulfill the financial needs of the different sector of economy. The specific subjective of the study are given as below:

i)   To examine the relationship between total deposit mobilization, loan & advances and profitability of Nepalese commercial bank.

ii)   To ascertain the profitability position of commercial banks in Nepal.

iii)   To examine the effect of profitability and loan & advance on total deposit mobilization of commercial banks.

iv)   To study the total deposit mobilization in Nepalese commercial banks.

1.4 Research Hypothesis

Hypothesis is a question which has been reworded into a form that can be tested and scientifically proved (B. K, 2019). Hypotheses are formulated as possible answer for the research question. The proposed research tentative assumptions are:

$H_1 1$: There is significant relationship between loan and advances and total deposit.

$H_1 2$: There is significant relationship between profitability and total deposit.

$H_1 3$: There is significant relationship between loan and advances and profitability.

1.5 Significance of the Study

Deposit is one of the basic sources of the bank to mobilize the fund, without deposit bank cannot operate its activities. Therefore, bank has to focus on in collecting scared small deposit and transfer these deposit into productive sector for the economic development of nation. Hence, the study is to examine the performance of Sanima bank and NABIL bank in deposit mobilization. Analyzing growth of deposit, loan and advances, investment, and interlink of financial performance and deposit mobilization, give the ideas of the banks functioning, strength and weakness of the bank's strategies. Therefore, the policies and programs can be made to improve the performance of the bank. This study is significance to know the challenges in deposit mobilization for commercial banks.

The study deals with profitability in subject to total deposit, loan and advances, investment, Net Profit, as an aid to economic development of the country by making research of deposit mobilization of commercial bank and their utilization to fulfill the need of the different sector of the economy. It is helpful to investor, customers and management team to know how BFIs are utilizing deposit gather from general people and mobilizing into lending activities either by loan or capital market in order to generate profit.

The other significance of this study is, to support further investigation on the area. Since, there are no sufficient studies conducted on this area of deposit mobilization in Nepal, it will also help other researchers through revealing issues for further research.

1.6 Limitation of the Study

Any research can't be free from limitation; some major limitations faced during preparation the study are mentioned below:

i)   This study is focused on the financial analysis of only two commercial bank namely Sanima Bank Ltd and NABIL Bank Ltd; however, there are different financial institutions in subject to deposit mobilization such as Insurance Companies, Development Banks, Finance Companies, and Micro Credit Development Banks, NGO/INGO, Cooperative, Mutual Fund and others. Not all these financial institutions except commercial banks are considered in this study.

ii)   This study is based on secondary sources of data. This study does not consider primary source of data.

iii)   This study covered for the last five years data from fiscal year 2014/15 to 2018/19. This study does not consider the data before fiscal year 2014/2015 and after 2018/2019. The result may differ with the inclusion of data before fiscal year 2014/2015 and after 2018/2019.

iv)   This study undertakes only deposit mobilization of commercial bank. This study does not consider other aspect such as size, interest rate, credit operation, bank image, promotion, branch expansion, awareness, services, technology etc.

CHAPTER-II
LITERATURE REVIEW

A literature review is scholarly paper, which includes the current knowledge including substantive finding, as well as the theoretical and methodological contribution to a particular topic. Literature reviews are the secondary source, and do not report new or original experimental work. An effective research is based upon the past knowledge and a survey of past literature. A review of previous related research includes review of various research /scholar journals and articles and dissertation and other related studies. It can be illustrated in the following manner (Larabee, 2007).

2.1 Conceptual Review

Conceptual review work provides the fundamental theoretical framework and function to the study. Various writers have defined the theoretical aspect of deposit mobilization in different way which is taken into consideration.

2.1.1 Concept of Deposit Mobilization

Deposits are defined as funds placed in a financial institution by economic surplus units such as householders, corporations, investors and government. These funds can either be from cash, claims to money, like checks placed in depositor's accounts, bank loans or money from investments (Van, 1995).

Varman (2005) stated that deposits are foundations upon which thrive and grow. They are unique items on a bank's balance sheet that distinguish them from other types of business organizations. In otherwise deposits from public represent by far the most powerful source of fund to a bank, accounting for over 90 percent of the total. These deposits are keys to a banks potential growth. These funds are liabilities of the bank, because these have to return to the owner on demand. Therefore, bank need to well mobilize of deposit collected and lending it to the deficit group to maintain the economy of nation.

Deposit mobilization is the process of public cash or funds accumulation by the financial institutes via its different routes, for instance, savings, current, fixed deposit accounts and other specialized schemes. It is an integral part of banking activity. Mobilization of saving

through intensive deposit collection has been regarded as the major task of commercial bank. Acceptance of deposit is the primary function of commercial banks. As such, deposit mobilization is one of the basic innovations in current banking activity. Banks utilized its funds in suitable area and right sector. Banks cannot achieve its goals until and unless it mobilizes its deposit in right sectors and by performing different activities. Much kind of activities and other things can origin for receiving invest from the bank, but bank should separate the useful and profitable sector for mobilization its deposit (Sahu & Rajasekhar, 2005).

Banks should design their deposit mobilization strategy depending on the country's investment development rate through branch expansion, using hi- tech technologies, continuously training deposit promoting staff, developing high organizational trust, giving client full pledged facilities at new or at existing branch, widening the banks deposit products, using high media coverage, branch expansion, educating households about the benefit of saving, providing door to door services and so on (Okpara, 2009).

Mobilization of deposit for a bank is as essential as oxygen for human being. Deposit mobilization is one of the main functions of banking business and so an important source of working fund for the bank. Deposit mobilization is the collection of cash or funds by a financial institution from the public through its current, savings, fixed, recurring accounts and other banks specialized scheme (Banson, Sey & Sakoe, 2012).

2.1.2 Deposit Mobilization of Commercial Banks in the Context of Nepal

Capital formation is one of the important factors leads to increase in the size of national output income and employment, solving the problem of inflation and balance of payment and foreign debts. According to classical economist, one of the main factors which helped capital formation was the accumulation of capital. Commercial banks are those institutions, which deals capital formation by mobilizing spread deposit from and lending in productive sector. These banks provide working capital needs of trade, industry and even to agricultural sector. Commercial banks are the heart of financial system. Banks make fund available through their lending and investing activities to borrowers, individuals, business firms and services

Nepali Banks and Financial Institutions (BFIs) are hardly struggling with the ongoing shortage of deposit funds. Such problems have become frequent since 2010 when BFIs for the first time found themselves between a rock and hard place due to the acute shortage of deposit. The years following 2010 have witnessed such recurrences in high and low magnitudes with a deepening of the crisis particularly in the last two fiscal years. The reason behind this is the high demand of credit and insufficient supply of money which is largely dependent on growth of deposits. In its recently published Nepal Development Update, The World Bank has stated that the growth of money supply in Nepal at present is at a record low level (Shrestha, 2007).

Meanwhile, the mobilization of bank deposits of government institutions is also largely ineffective. "Out of a total deposit of Rs 2,500 – Rs 3,000 billion in the Nepali banking sector, deposits of around Rs 1,400 billion is institutional, mainly coming from government institutions," mentioned Hari Bhakta Sharma, president of the Confederation of Nepalese Industries (CNI), adding that, unless the government builds an effective mechanism to mobilize such funds, the loan able fund crisis will keep on recurring. Currently, only over 40 percent of the population of Nepal is estimated to have access to banking services. The government and the central Bank over the last few years have taken some strong steps to bring the unbanked people into the banking system. The provision of NRB, for instance, requires all commercial banks to open one branch in all 753 local levels. As of mid-September, commercial banks have extended their branch network in 666 levels, according to a latest NRB data.

Despite of the role of BFS in changing the economic face of Nepal and increasing access to modern banking services among Nepalese, banks have not remained saints regarding the present day problems. The focus of banks on earning profits has led them to take risky maneuvers in terms of loan portfolio expansion and investing a big chunk of their capital into the so-called 'unproductive sectors' such as auto, real estate and stock market. This has caused some serious issues in terms of compliance of prudential regulation of banks. Further author stated that after the NRB set the new minimum paid-up capital for BFIs in

2015, the financial institutions aggressively engaged in lending which has several times outpaced their allowed limit. The credit expansion drive has led BFIs to near the limit set under the credit-to-core-capital-and-deposit-ratio (CCD). In currently, CCD ratio of some commercial Banks jumped to 79 percent. The mandatory provision of the central Bank restricts Banks to extend loans beyond 80 per cent of their CCD levels.

A commercial bank must collect deposit from rural area too and mobilize its deposits and other funds in productive, innovative and development sector of the country for the welfare of nation. At currently the big merger of bank and financial institution has been arises in high lightly, which might be great revolt in adequate utilizations and mobilization of deposit getting rid from cut throat and unhealthy competition among banks and financial institutions.

2.1.3 Usage's of Deposit Mobilization for the Economic Development of Country

The usages of deposit mobilizations are as follows: -

i)   **Monetization of economy:** To "monetize" something is to convert non-revenue generating assets into sources of revenue. In economic terms, monetize means to convert any event, object or transaction into a form of currency or something with transferable value. Same like deposit collected from public would be converted in revenue generating assets.

ii)   **Encouragement to entrepreneurial for innovation:** Deposit collected from general people in banking system encourages entrepreneurial innovation because due to well managed deposit system of banking. Bank can provide requested amount of loan to the entrepreneur at the reasonable rate of interest by which there is the increment of participation of private sector.

iii) **Capital formation**: Capital formation is one of the essential parts of economics development. There is the lack of capital formation in most of developing countries like Nepal, So, bank collects idle money from the people and invests that saving on the productive sector that causes capital formation as well as development of the nation.

iv)   **Replacement of informal lending and borrowing:** One important role of economic development of a country is to increase banking habit in the people by replaced informal lending and borrowing. Deposit mobilization helps in this aspect. If

there is proper deposit mobilization, people believe on the bank and banking habit will develop among the people.

v) **Circulation of idle money**: Deposit mobilization helps to circulate idle money. The meaning of deposit mobilization is to convert idle saving into active saving. Deposit mobilization helps the depositor's habit of saving and it also help to circulate the idle saving in productive sector. This helps to create incentives to the depositors.

vi) **Facilities of money and fiscal policy:** Effective deposit mobilization in banking system is necessary for effective implementation of fiscal policy and monetary policy of nation, the instruments of fiscal and monetary policy such as regulation of credit, interest rate , tax etc. are properly used only if the deposit is well mobilized in the banking system of the country is sound.

vii) **To promote trade and commerce**: Deposit mobilization is needed to facilitate trade and commerce. If the bank utilizes the collected deposit and mobilize the same to fulfill the need of industry, in required of long-term finance for the capital. It is helpful not only to promote cottage industries in the area, but also support in the development of the locality as a whole increasing employment and income of the local people (Shrestha, 2014).

2.2 Empirical Reviews

The empirical study of literature is an interdisciplinary field of research which includes the psychology, sociology, philosophy, the contextual study of literature, and the history of reading literary texts. This section reviews studies previously done on effects of deposit mobilization strategies on the performance of firms. Empirical literature review is a directed search of published work which includes books and periodicals. It is a comprehensive survey of previous inquiries related to the research questions (Carpini, Cook & Jacobs, 2014). Literature review allows researchers to place the research work into an intellectual and enables researcher declare why research matters.

Mahat (2012) studied on a comparative profitability and fund management analysis of Nepal Bank Ltd. and Rastriya Banijya Bank Ltd. The study has made objectives to evaluate the profitability and operating efficiency of Nepal Bank Ltd. in comparison to Rastriya

Banijya bank, to analyze the growth trend of profitability of the banks during study period and to provide the information to investor, creditors and stakeholders. The study covers the data of five fiscal years (2007-2012). The major findings made by researcher were that in an average, NBL was in good condition than RBBL in the context of return on capital-employed ratio. Both the banks operating efficiency ratios were alarming indication of poor performance and management. During FY 2067/68, the operating efficiency ratio of NBL was very high. However, RBB was in good condition than NBL in the context of operating efficiency ratio. Future trend value (net profit) of NBL was in decreasing trend for the forecasted period but trend value of net profit of RBB was increasing and better than NBL.

Venkateshan (2012) made a research entitled an empirical approach to deposit mobilization of commercial banks in Tamil Nadu. The researcher attempted to study the trend and growth in deposit mobilization of scheduled commercial banks in Tamil Nadu during the period from 1999-2000 to 2008-2009. The Compound Growth Rate (CGR) and Linear Growth Rate (LGR) were calculated from using simple regression analysis. The study found that, there has been a remarkable growth in mobilization of all kinds of deposits in scheduled commercial banks in Tamil Nadu overall.

Rouniyar (2013) studied on liquidity and profitability analysis of four listed commercial banks (with reference to NABIL, SCBNL, EBL and SBI). The study has made objectives to assess the profitability and liquidity position of the commercial banks and to evaluate the relationship between selected dependent and independent variables regarding liquidity and profitability of the banks. The study has covers the data of ten fiscal year i.e. fiscal year 2001/02 to 2010/11.The finding made by study were that the return on equity was highest of SCBNL and lowest of SBI among the four sample banks. SBI has more risky than other sample banks. In the same way, return on capital fund or employed to risked assets for SBI was more volatile than other sample banks. SBI has not managed its profitability to maintain capital adequacy than other sample banks. NABIL was more uniformity which has less CV than others. Net profit to total deposit ratio for the bank was

satisfactory i.e. well management in earning profit. Net profit to total loan and advances ratio was highest of SCBNL.

Shettar (2014) made a case study on Deposit Mobilization and Socio- Economic Impact: of Union Bank of India. The case study was a modest attempt to analyze the socio-economic impact of bank deposits. The study was an attempt to analyze the socio-economic impact of deposit mobilization. Three different types of deposits namely, term deposits, current deposit and savings deposit were considered for the study. The data required for the study has been collected from Union Bank of India Annual Reports covers a period of 13 years i.e. from 1999-2000 to 2011-2012. The data, thus collected have been properly classified and analyzed with the help of simple statistical parameters like average, indices etc. and also the accounting technique i.e. Ratio Analysis. The results show that, there has been a remarkable growth in mobilization of all kinds of deposits in Union Bank of India. Growth of the term deposit was also in an increasing trend over the period. This shows that Union Bank of India has been term deposit centered rather than current and savings deposit.

Shrestha (2014) administrated a study on liquidity and credit management practices of commercial banks in Nepal. Researcher has taken two sample of banks Viz; Nepal Investment bank Ltd. and Nepal Credit and Commerce bank Ltd. and had made objectives of study to analyze the trend of liquid assets maintained by the commercial banks, to analyze the credits and advances provided by the NIBL and NCC and to find out the strengths and weaknesses in the credit position of NIBL and NCC. The study covers the data of five fiscal year period from (2009-2014). The find of the study were that the analysis of trend of liquid assets maintained by banks shows NIBL in a better position than NCC. Further, the relationship between total credit and total deposit shows highly significant positive correlation. This indicates that the total deposit has increased with the increase in the total credit provided by the commercial banks, thus, strengthening their credit and liquidity positions.

Gyamfi (2015) analyzed on mobilizing deposits the role of commercial banks in Ghana. The purpose of investigation was to identify the most effective and efficient ways commercial banks in Ghana; should employ to maximize the volume of domestic deposits in the environment of high rural population, dominant informal sector employment and macroeconomic instability. Analyses mainly had an explanatory research purpose since it aimed to establish the effect of methods used by commercial banks on deposits mobilization. The population of the study was commercial banks in Ghana. Out of the twenty-seven (27) Commercial banks, nine (9) have been selected as the sample size because of access to ready data. Author found amount of domestic funds that commercial banks receive was far below the level sustainable for self-sufficiency. Huge volumes of loanable funds are left out of the Banking system and it needs the efforts of the commercial banks to tap them into productive uses. The finding also indicated that deposits mobilization of Commercial Banks in Ghana though, has an upward trend, it increases at a decreasing rate.

Maharana, Choudhury and Panigrahi (2015) analyzed an article on deposit mobilization of commercial banks: A comparative study of BOB and Axis Bank in Bhubaneswar City. The main objective of the study was to survey the method strategies and the trends in deposit mobilization of commercial banks in India. The study is based upon secondary as well as primary data from period 2010-11to 2014-15. For analyzing and understanding difference in sector wise and state wise deposit mobilization secondary data is employed profusely time frame preferred for different analysis may vary from subject to subject of deposit mobilization. Authoress concluded that there was a significant up trend and growth in current deposits but in terms of growth of deposit year by year is fluctuating. There was significant decline in deposits in scheduled commercial Banks in Bhubaneswar during the period from 2009-10 to 2012-13. As there was a significant increase in current deposit and term deposit over the period under study the mobilization of demand deposit and term deposits by Bank of Baroda is more than Axis Bank over the period.

Pokharel (2015) studied on deposit mobilization of commercial banks of Nepal, with reference to NABIL and HBL. The studied was made with objective to analyze the trend

of liquid management by the commercial banks, to evaluate the cash reserve ratio maintained by the NABIL and HBL and to analyze the total loan and advances, total investment provided by the NABIL and HBL with covering studied period of five year from fiscal year 2010 to 2015. The findings of the studied were that the liquidity position of NABIL was very strong while HBL have strong capacity to meet the short-term obligations. Further HBL have invested significant portion of deposit to total investment than other. In addition total deposit, investments, loans, and advances of all banks were in increasing trend.

Adhikari (2016) administrated a study on liquidity and credit management practices of commercial banks in Nepal, with reference to Nepal Investment Bank Ltd. and Nepal Credit and Commerce Bank Ltd. and had made objectives to analyze the trend of liquid assets maintained by the commercial bank, to analyze the credits and advances provided by the NIBL and NCC and to find out the strengths and weaknesses in the credit position of NIC and NCC. The data cover for the study if of five fiscal year (2011 to 2016). The major finding of the study revealed that the relationship between total credit and total deposit shows highly significant positive correlation. The analyzed of the trend of liquid assets maintained by banks shows that NIBL in a better position than NCC. Further author conclude that the relationship between total credit and net profit also shows a significant positive correlation.

Ambe (2017) made an investigation of determinants of deposit mobilization in commercial banks of Ethiopia. The main aim of investigation was aimed to investigate factor that determine customer deposit mobilization by the commercial bank of Ethiopia by using data for 20 years. Both descriptive and econometric analysis has been applied in order to investigate factors. As determinants of customer deposit mobilization in the bank five explanatory variables such as loan, existence of competitors, interest rate, branch expansion were included. The result of the econometric result indicates that loan provision, branch expansion and number of customers are found to have significant positive impact for the growth of deposit mobilization. However, the emergence of new competitors and interest rate was not found to have positive impact to induce deposit mobilization in the

bank. The study recommends expansion of banks in different areas as well as enhancing the number of the customers via different incentive provision and coping up with emerging competitors as potential means of promoting deposit mobilization.

Kadariya (2017) studied on deposit mobilization of commercial banking in Nepal Researcher had taken two samples of Banks Viz; Nabil Bank Limited and Nepal Bank Limited. The studied was made with general objectives of research to study target/actual loan investment and collection of developing banking of NABIL Bank Limited and Nepal Bank Limited, and to examine the financial position of sample banks. The study period has cover the data of five year (2011/2012-2015/2016) basically research methodologies in study signifies the research design source of data, data collection technique, data collection method and tolls and technique etc. were undertaken for descriptive cum analytical research design was adopted. The major finding of the study was that NABIL has more consistency and uniformity in case of profitability. NBL has slightly higher spread rate than NABIL. Loan and advances of both banks are in increasing trend. Net profits of both Banks are in increasing trend. However, the growth of increasing profit of NABIL is higher than that of NBL Thus it has found that NABIL will earn more profit than NBL in future.

Orok, Okoi and Essien (2018) analyzed on inflation and deposit mobilization in deposit money banks the Nigerian Perspective. The broad objective of the analysis was to study critically examine inflation rate in Nigeria with the view of ascertaining its effect on the deposit mobilization in Banks. The study which was ex-post facto, relied mostly on secondary data which were collected through the Central Bank of Nigeria (CBN) statistical bulletin, Nigeria interest research library research, textbooks, journal and report from 1994-2014. The population for this study included selected numbers of banks i.e. deposit money bank in Nigeria from 1994-2014. Authors concluded that all variables used in the construct were stationary at 1st difference, and at least one co-integrating equations exited in the model. Again, it was concluded empirically, that inflation has negative impact on the deposit mobilization of the Nigerian banks.

KC (2018) analyzed deposit mobilization of Agriculture Development Bank Limited. The study was made by covering study period from 2013 to 2018 with major objective to find out the composition of total loan and advances over total deposit and to explore the profitability position of the bank. The studied find the mean total loan and advances to total deposit of this ratio is 92.62 percent. The mean total loan and advances to fixed deposit of this ratio of 2.22 times. Net profit to total loan and advances gauges the bank's efficiency to generate net profits out of the total loan and advances. The average net profit to total loan and advances ratio is 7.76 percent. This indicates that the Net profit to total loan and advances ratio for the bank is satisfactory i.e. to generate the profit.

Gunasekar and Kumari (2018) examined on factors affecting for deposit mobilization in Sri Lanka. The main objective of this study was to examine the most effective factors affecting deposit mobilization, followed by a random sampling method, in which 120 deposit account holders were selected as a sample from three different convenient sample areas. The Questionnaires were equipped with questions to obtain primary data. The data has been analyzed using "descriptive statistics" and "regression analysis". The study revealed that, there was a significant and positive relationship between deposit mobilization and deposit interest rate, security, branch expansion, services, technology and awareness. Moreover, there was a significant relationship between living area and the amount of deposits and the demographic variables, such as, gender, occupation, education level and income significantly affect for deposit mobilization. Examiner concluded that deposit mobilization was the key focus of many banks. However, finding revealed that deposit was becoming a challenging role for the Banks in Sri Lanka compatible with the growing need of loans.

Yadav (2018) analyzed on deposit mobilization of commercial banks in Nepal with reference to Nepal Investment Bank limited and Standard Chartered Bank. The objective of the research was to provide the comparative ability of NIBL and SCBNL in deposit collection and growth and to analyze the financial factor like liquidity management, efficiency and profitability position relation to deposit mobilization of commercial bank. The secondary data for the period (2012/2013-2016/2017) were undertaken for descriptive

and analytical research to describe general attitude of Nepalese depositor, business environment commercial bank etc. The major findings were that the loan and advances to total working fund ratio describes that position of NIBL is better than SCBNL. From the analysis of growth ratio of loan and advances, SCBNL seems weak in increasing loan and advances than that of NIBL. SBNL has maintained high liquidity funds than that of NIBL.

Thao (2019) made a survey on improving deposit mobilization of Vietnam Bank for Investment and Development (BIDV), BAC Giang Branch, Vietnam' This survey assessed the status of deposit mobilization of Vietnam Bank for Investment and Development, BAC Giang branch through perception of depositors, creditors and employees. Based on the results of survey, author proposed some solutions to enhance deposit mobilization for Vietnam bank for Investment and Development in general and BAC Giang branch in particular. In this study, the researcher has focus on reviewing current situation of capital mobilization in previous years of the branch, stating the success and failures of bank based on perceived by clients and employees then propose some solutions to increase the deposits mobilization. The methodology of survey was by using raw data investigated depositors, creditors and employees. The respondents of the survey were depositors, creditors and employees of the bank. Total of sample is 90, 30 depositors, 30 creditors and 30 employees. After the direct investigation researcher conclude, deposit mobilization systems of BIDV in BAC Giang province were generally acceptable to all groups of respondents, both for deposit pricing policies and product and network. It falls under the often category with a description of 80 percent satisfaction and/or acceptability from the respondents. Some problems as perceived were higher interest of borrowing compared with other banks, and limited services offered.

Kassu and Menen (2020) Deposits are the primary source of funds for a bank, which facilitates the uses of funds of loans and investments. The higher the deposits amount, the bigger the lending and investments portfolio can be maintained by the banks to sustain its expansion and future growth. Mobilizing deposits is one of the essential issues in developing countries as domestic funds provide cheap and reliable source of funds for development. The objective of this study is empirically investigating factors affecting deposit mobilizations of Ethiopian private commercial banks for the periods 2010 to 2019. The researcher adopted explanatory research design and Quantitative research approach.

Endogenous and exogenous variables were analyzed by using the balanced panel data regression model. To check the appropriateness of the model Different diagnostics test were conducted such as test of heteroscedasticity, autocorrelation and Normality. The results explained that Banks Liquidity has a positive insignificant effect, credit risk and exchange rate have positive and statistically significant and inflation has significant negative influences on commercial bank deposit mobilization. Recommendation given to Commercial banks they should have managed high liquidity risk that contributed by increased deposit.

2.3 Research Gap

The previous studies reviewed the various theories and empirical studies of factor that effect deposit mobilization only, the related research has not taken into consideration the relationship between level of deposit and bank performance. This study of deposit mobilization of Commercial banks in Nepal (With Reference to Sanima Bank Limited and NABIL BANK) illustrates the financial position between two majority commercial Banks. Hence, for this analysis, different financial and statistical tools are used in regards to deposit, total loan and advances, Net income and investment. Hence, this research is to fill up those gaps of previous research is conducted. This research is of updated data after changes in economic and political situation of the nation.

KC (2018) considered total loan and advances to fixed deposit. However, in this study, net profit to deposit, net profit to total loan and advance have been particularly undertaken. Thao (2019) took total sample of 90, 30 depositors, 30 creditors and 30 employees. However, in this study no specific targeted groups have been categorized. Orok, Okoi and Essien (2018) concluded empirically, that inflation has negative impact on the deposit mobilization of the Nigerian banks. However, in this study no macroeconomic or external factors have been determined that could influence the total deposit mobilization of commercial banks in Nepal. Therefore, for filling this gap between previous studies this particular study have been conducted.

CHAPTER-III
RESEARCH METHODOLOGY

This chapter discusses research methodology which the researcher used in the process of data collection. It includes the research design, the target population, sampling method and sample size, data collection procedures and data analysis method. Research methodology is a systematically way of solving the research problem. It may be understood as science of studying that how research is done scientifically as well as systematically (Kothari, 1989).

3.1 Research Design

A research design is a plan of action adopted by researcher in carrying out the research. It is the overall operational pattern of framework for the project that stipulates what information is to be collected, form which sources and by what procedures. In other way, a research design is the plan, structure and strategy of investigations conceived to obtain answer to research question and to control variances. For this study, this research is designed in mostly descriptive and causa comparative research design towards historical last five years data. The study attempts to analyze the mobilization of deposit and its uses by commercial banks particularly of NABIL Bank and Sanima Bank. The research designed follows the deposit structure and its mobilization in various sectors.

3.2 Populations and Sample

All the items under consideration in any field of inquiry constitute a universe or population. A complete study of all the elements of the population is known as census enquiry. However, the need of sampling arises when the fields of study grow large and it becomes difficult to adopt such methodology. Total population for this study is the commercial banks licensed by NRB are 27. Among them, the sample banks are taken on the basis of judgmental sampling method of non-probability sampling. Though the sample is relatively small, efforts are made to make the more accurate and precise. Two commercial Bank of Nepal named by Sanima Bank Ltd, and NABIL Bank are used as sample for this study.

3.3 Types and Sources of Data

Data have been obtained from secondary source. The use of same data by other parties would now be termed as secondary data. This study has used secondary source of data collected from Sanima Bank limited and NABIL Bank limited. All the collected data and information have been properly arranged, synthesized, tabulated and calculated to arrive at the realistic analytical steps.

3.4 Collection of Data

In this study, data are collected through published sources. They were collected from the correspondent offices and their respective websites. The annual reports of SNMA and NABIL were collected from their website and website of NRB, and other related documents were collected from, unpublished master's thesis, books, research papers, Journal and articles from Internet websites. After collecting data, as necessarily required, they were separated and analyzed presentation and analysis of the collected data is the main theme of the research work. Collected data were first presented in systematic manner in tabular forms and then analyzed by applying different financial and statistical tools to achieve the research objectives. Besides these, some Figure and Tables have been presented to analyze and interpret the finding of the study.

3.5 Tools Used

Data are collected for analysis and presentation of research or any conclusive result. Data alone are not complete unless the data are related with activities to get some output/result. The data can be analyzed by using financial and statistical tools. In order to get the concrete results from this research, data are analyzed by using different types of tools. As per topic requirement, emphasis is given on statistical tools rather than financial tools. So for the study following two statistical tools are used.

a) Financial Tools

Financial tools are the most efficient techniques that can be used for deciphering both internal and external financial strength and weakness of a firm. These financial tools are highly helpful in evaluating the market and investing in a way to maximize the profit from the investments made.

Ratio analysis

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by comparing information contained in its financial statements. Ratio analysis is a cornerstone of fundamental analysis.

Ratio analysis can be used to establish a trend line for one company's results over a large number of financial reporting periods. This can highlight company changes that would not be evident if looking at a given ratio that represents just one point in time. Even though there are many ratios of analysis and interpret and financial statement, those ratio that are related to the investment operation of the bank are have been covered in this study, the following types of ratios have been used in this study.

Total loan and advance to total deposit ratio

A loan and advance to deposit ratio is used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period. In addition, the loan and advance to deposit ratio helps to show how well a bank is attracting and retaining customers. If a bank's deposits are increasing, new money and new clients are being on-boarded. As a result, the bank will likely have more money to lend, which should increase earnings. Although it's counterintuitive, loans are an asset for a bank since banks earn interest income from lending. Deposits, on the other hand, are liabilities because banks must pay an interest rate on those deposits, though at a low rate

$$\text{Total Loans and Advances to Total Deposit Ratio} = \frac{\text{Loan and Advances}}{\text{Total Depositt}}$$

Loan and advanced consist of loans, advances, cash credit, overdrafts, and foreign bills purchased and discounted.

Return on total deposit

Major financial source of a bank is deposit collection and deposit is mobilized for loan and advances, Investment etc., to earn profit. The ratio shows the relation of net profit earned by the bank with the total deposit accumulated. Higher ratio is the index of strong profitability position. The ratio is computed by divining net profit after tax by total deposit.

$$\text{Return on Total Deposit} \quad = \frac{\text{Net Profit After Tax}}{\text{Total Deposit}}$$

Return on total loan and advance

Net Profit reveals the performance of bank. It shows efficiency of management. It shows the capacity of management has been able to utilize deposits. Net profit increment plays vital role of the bank. The ratio of Return to total loan and advances reveals profit in comparison to total loan and advance disbursed. Net profit to loan and advances ratio measures the earning capacity of commercial bank as its deposit mobilized on loan and advances higher the ratio greater will be the return and vice-versa. The ratio can be calculated as

$$\text{Return on Total Loan and Advance} \quad = \frac{\text{Net Profit After Tax}}{\text{Total Loan and Advance}}$$

b) Statistical Tools

These different statistical tools can be used to find out the various statistical results. Few relevant statistical tools are used in this study to analyze the mean, and correlation testing their relationship.

Mean

The statistical mean ($\overline{X}$) refers to the mean or average that is used to derive the central tendency of observations in the sample. It is determined by adding all the data points in a population and then dividing the total by the number of points. The resulting number is known as the mean or the average. It represents the entire data which lies almost between the two extremes. In this study it is used in data related to deposit of sample banks over five years. It is calculated as: Arithmetic Mean**:** Arithmetic mean is the average return over periods. It is calculated by,

$$\overline{X} = \frac{X_1 + X_2 + X_3 + ...+ X_n}{n}$$

Or, $\overline{X} = \dfrac{\sum X}{n}$

Where,

$\overline{X}$ = Arithmetic mean return

x_1, x_2, x_3 ………….. x_n= Set of observations

n = total no. of observations

$\sum X$ = Sum of given observation

Standard deviation

In statistics, the standard (SD) deviation is a measure that is used to quantify the amount of variation or dispersion of a set of data values. A low standard deviation indicates that the data points tend to be close to the mean (also called the expected value) of the set, while a high standard deviation indicates that the data points are spread out over a wider range of values. The standard deviation of the mean (SD) is the most commonly used measure of the spread of values in a distribution. In simple term, high SD means very less similarity in the values and low SD means high similarity among the values. SD gives the accurate result between values.

$$SD = \sqrt{\frac{\sum(X - \overline{X})^2}{n}}$$

Where,

X = number of observations in the sample

$\overline{X}$ = mean of number of observations in the sample

n = number of years

$\sum(X - \overline{X})^2$ = Sum of Total number of observations deviation from mean in the sample.

Coefficient of variation

The coefficient of variation (CV) is a measure of relative variability. It is s the ratio of the standard deviation to the mean. Highest the coefficient of variation, greater the level of dispersion around the mean, lower the value of the coefficient of variation, the more precise the estimate. It is generally expressed as a percentage. The coefficient of dispersion based on standard deviation multiplied by 100 is known as coefficient of Variance and written, as CV is given by,

$$\text{Coefficient of Variation} = \frac{\text{Standard Deviation}}{\text{Mean}} \times 100$$

$$CV = \frac{\sigma}{\bar{x}} \times 100$$

According to Prof. Karl Pearson, coefficient of variation is the percentage variation in mean, standard deviation being considered as the total variation in the mean. It is one of the relative measures of dispersion that is useful in comparing the amount of variation in data groups with different mean. For comparing the variability of two distributions, we compute the coefficient of variation for each distribution. A distribution with greater CV is said to be more variable or heterogeneous than the other.

Correlation

The term correlation analysis is the analysis, which reflects that the variables of the two different data are related or it can be said that correlation is the analysis of relation between more than one variable represented by "r". In other wise when the relation is of quantitative nature, the appropriate statistical tools for discovering and measuring the relationship and expressing it in a belief formula is known as correlation. The relation between the data may be positive or negative. It can be determined by different ways such as graphical representation, formula method etc.

When both variables are moving upward or downwards in the same proportion, it is said to be the condition of positive correlation and if the condition is vice versa that the condition is said to be negative correlation. The main result of a correlation is called the correlation coefficient (or "r"). It ranges from -1.0 to +1.0. The closer r is to +1 or -1, the more closely the two variables are related if r is close to 0, it means there is no relationship between the variables. If r is positive, it means that as one variable gets larger the other gets larger. If r is negative it means that as one gets larger, the other gets smaller (often called an "inverse" correlation).The main purpose of this study is to find out the correlation between selected variables with each other over study period.

Karl Pearson's coefficient correlation analysis

Karl Pearson's coefficient of correlation is widely used mathematical method wherein the numerical expression is used to calculate the degree and direction of the relationship between linear related variables. Out of several mathematical method of measuring

correlation the Karl Pearson popularity known as Pearson's coefficient of correlation widely used in practice to measure the degree of relationship between two variables. Two variables are said to have correlation when the value of one variable is accompanied by the change in the value of the other. Therefore, it is measured by following formula using two variables. It is denoted by small ' r'.

Correlation of coefficient $(r) = \dfrac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - (\sum X)^2}.\sqrt{n\sum Y^2 - (\sum Y)^2}}$

r = coefficient of correlation

ΣXY = Sum of product of two series.

ΣX^2 = Sum of squared in X series

ΣY^2 = Sum of squared in Y series

The value of the coefficient of correlation (r) always lies between±1. Such as:

r=+1, perfect positive correlation

r=-1, perfect negative correlation

r=0, no correlation

Regression Analysis

Multiple linear regression (MLR), also known simply as multiple regression, is a statistical technique that uses several explanatory variables to predict the outcome of a response variable. The goal of multiple linear regression is to model the linear relationship between the explanatory (independent) variables and response (dependent) variables. In essence, multiple regression is the extension of ordinary least squares (OLS) regression because it involves more than one explanatory variable.

The multiple Regression equation;

$$TD=\beta+ \beta1NP+ \beta2LA$$

B= Constant Value

β1 and β2 = Coefficient of Independent Variables

TD=Total Deposit Mobilization

NP=Net Profit

LA=Loan and Advances

3.6 Research Framework and Definition of Variables
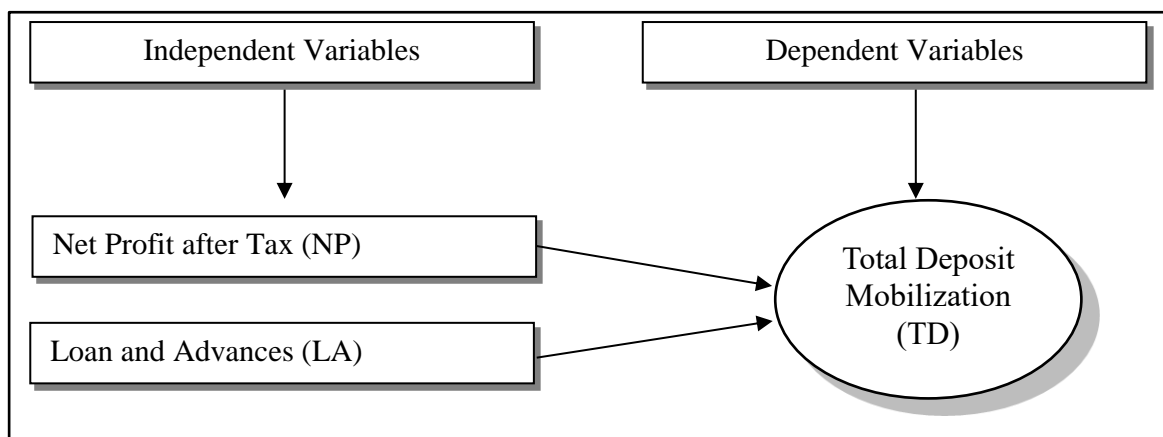
The study has been followed up below mentioned framework.

Figure 1: Research Framework

Total Deposit Mobilization

Total Deposits means all deposits of the Company and its Subsidiaries. Total Deposits means at any time the aggregate amount of customer. Total deposit mobilization mean out of total deposit the cash distributed to different sectors.

Net Profit after Tax

Net operating profit after tax (NOPAT) is a financial measure that shows how well a company performed through its core operations, net of taxes. NOPAT is frequently used in economic value added (EVA) calculations and is a more accurate look at operating efficiency for leveraged companies. NOPAT does not include the tax savings many companies get because of existing debt.

Loan and Advances

Loans are a source of long-term financing (typically more than a year), whereas the advances are a source of short-term financing, that is, to be repaid within less than a year. The monetary value of an advance is usually less than that compared to a loan.

CHAPTER-IV
RESULTS AND DISCUSSION

Data presentation and analysis forms an integral part of all academic studies, commercial, industrial and marketing activities as well as professional practices. Data analysis helps in the interpretation of data and takes a decision or answer the research question. This part of analysis has been divided into four sections. The first section incorporates the results obtained from the financial tools. The descriptive and inferential statistics have been presented and analyzed in the second section. In the third section, major findings revealed from first and second sections have been drawn and in the fourth section, discussions of different issues have been presented.

4.1 Results

Financial analysis tools are the tools used in the process of evaluating businesses, projects, budgets, and other finance-related transactions to determine their performance and suitability. Typically, financial analysis is used to analyse whether an entity is stable, solvent, liquid, or profitable enough to warrant a monetary investment. Financial analysis tools are highly helpful in evaluating the market and investing in a way so as to maximize the profit from the investments made.

Financial analysis tool is used for assessing the intrinsic strengths and weaknesses of a business organization and subjective as well as objective measurement of special processes. Moreover, financial tools are also helpful in evaluation of a company's overall return, the operating income, and the capital financing processes. To examine the financial performance of sample banks, different ratio have been computed, tabulated, and analyzed as bellows.

4.1.1 Total Loan and Advances to Total Deposit Ratio

The loan-to-deposit ratio (LDR) is used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period. The LDR is expressed as a percentage. Increase in loan and advances results increase in profit of the banks. Higher ratio indicates better utilization of fund. This ratio is calculated in this study to find out

how the sample banks are successful in utilizing the outsider's fund i.e. total deposits for profit generating purpose in the form of extending loan and advances.

Table 1

Total Loans and Advances to Total Deposit Ratio of Bank

`	SNMA			NABIL		
	TL & Adv. (Million)	TD (Million)	LT/TD (percent)	TL & Adv. (Million)	TD (Million)	LT/TD (percent)
2014/15	28590	34050	83.96	67000	104000	64.42
2015/16	40900	46420	88.11	78000	110000	70.91
2016/17	51840	58230	89.03	91000	119000	76.47
2017/18	69240	79180	87.45	112000	136000	82.35
2018/19	83440	92280	90.42	135750	164370	82.59
Mean			87.79			75.35
SD			79.41			70.58
CV			0.90			0.93

Table 1 clearly shows the total loan and advances to total deposit ratio of SNMA and NABIL for the last five fiscal years which are in fluctuating trend. SNMA has the highest ratio of 90.42 percent in the FY2018/19 and the lowest ratio is 83.96 percent in the FY 2014/15. Similarly, NABIL's highest ratio is 82.59 percent in the FY 2018/19 and the lowest ratio 64.42 percent in the FY2014/15.

The average of NABIL is the lower with 75.35 percent than SNMA with the mean ratio of 87.79 percent. We can conclude that SNMA is the most successful to mobilize its total deposit as loan and advances and acquiring high profit though it is less consistent than NABIL. By the coefficient of variation, NABIL is more uniform and consistent since it has higher CV 0.93 than that of SNMA which has CV 0.90.
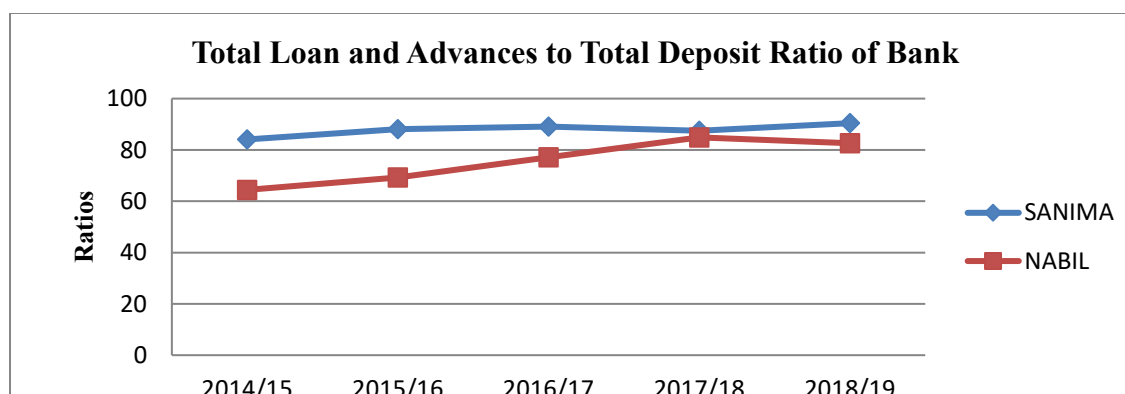
Figure 2: Total Loans and Advances to Total Deposit Ratio of Bank

The figure 2 depicts the total loan and advances to total deposit ratio of sample bank for the last five years. This ratio is volatile during the study period as seen in the figure.

4.1.2 Net Profit to Total loan and advances

Lending is one of largest asset and the most profitable source for the bank and financial institution because interest rates realized on loan is more than those realized on other investment. Interest receive from loans are the main source of income for banks. Effective management of lending activities leads to the better performance of organization by generating profit. Net profit to total loan and advances measures the bank's efficiency to generate net profits. It is clearer from the following table.

Table 2

Net Profit to Total Loan and Advances of Bank

Fiscal Year	SNMA			NABIL		
	NPAT (Million)	TL & Adv (Million)	NP/LA (percent)	NPAT (Million)	TL & Adv (Million)	NP/LA (percent)
2014/15	624.14	28590	2.18	2090	67160	3.12
2015/16	996.05	40900	2.44	2820	77730	3.62
2016/17	1304.10	51840	2.52	3700	94090	4.07
2017/18	1697.50	69240	2.45	3980	115420	3.55
2018/19	2285.10	83440	2.74	4240	135750	3.13
Mean			2.46			3.50
SD			2.27			3.17
CV			0.92			0.92

Source: Annual Reports, 2014/15-2018/19

Table 4.1.2 describe that the net profit to loan and advance over the five years study period. The ratio of SNMA is the highest of 2.74 percent and lowest of 2.18 percent respectively in FY 2018/2019 and 2014/2015.

Likewise, the ratio of NABIL ranges the highest of 4.07 percent and the lowest is 3.12 percent in FY 2016/2017 and FY in 2014/2015 respectively. The average net profit to loan and advance of SNMA and NABIL are 2.46 percent and 3.50 percent respectively. It indicates that the NABIL has high volume of interest income is an indicator of good performance of lending activities than SNMA. By measuring coefficient of variation, both of the banks have equal CV with 0.92.

Net Profit to Total Loan and Advances Ratio of Bank

Ratios

Sanima
Nabil

2014/15   2015/16   2016/17   2017/18   2018/19
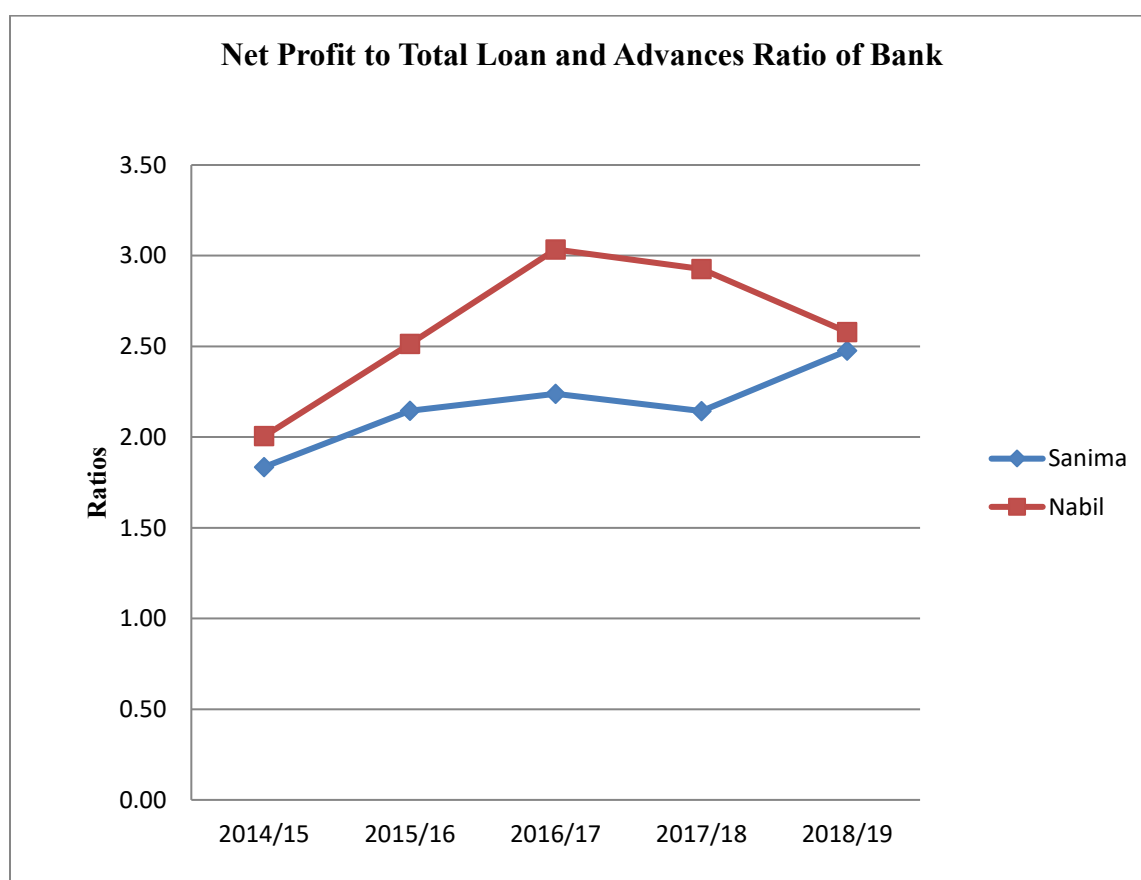
Figure 3: Net profits to total loan and advances Ratios of Bank

Figure 3 depicts net profit to total loan and advances of sample for the last five years. This ratio is fluctuation during the study period as seen in the Figure

4.1.3 Net Profit to Total Deposit

Net profit to total deposit gauges the bank's efficiency to generate net profits out of the total deposit it collected. That means if the bank is able to make more profits from the deposit collected through the different sources.

Table 3

Net Profit to Total Deposit

Fiscal Year	SNMA			NABIL		
	NPAT (Million)	TD (Million)	Ratios (percent)	NPAT (Million)	TD (Million)	Ratios (percent)
2014/15	624.14	34005	1.83	2090	104240	2.01
2015/16	996.05	46420	2.15	2820	112170	2.56
2016/17	1304.1	58230	2.24	3700	121940	3.11
2017/18	1697.5	79180	2.14	3980	135980	2.93
2018/19	2285.1	92280	2.48	4240	164370	2.58
Mean			2.17			2.64
SD			2.02			2.49
CV			0.93			0.95

Table 3 describe that the net profit to total deposit over the five year study period. The ratio of SNMA is the highest of 2.48 percent and lowest of 1.84 percent respectively in FY 2018/2019 and 2014/2015. Likewise, the ratio of NABIL ranges the highest of 3.11 percent and the lowest is 2.01 percent in FY 2016/2017 and FY in 2014/2015 respectively.

The average net profit to total deposit of SNMA and NABIL are 2.17 percent and 2.64 percent respectively. It indicates that the NABIL has high volume of interest income is an indicator of good performance of lending activities than NABIL. By measuring coefficient of variation, NABIL is more uniform and consistent since it has higher CV 0.95 than SNMA with CV of 0.93.
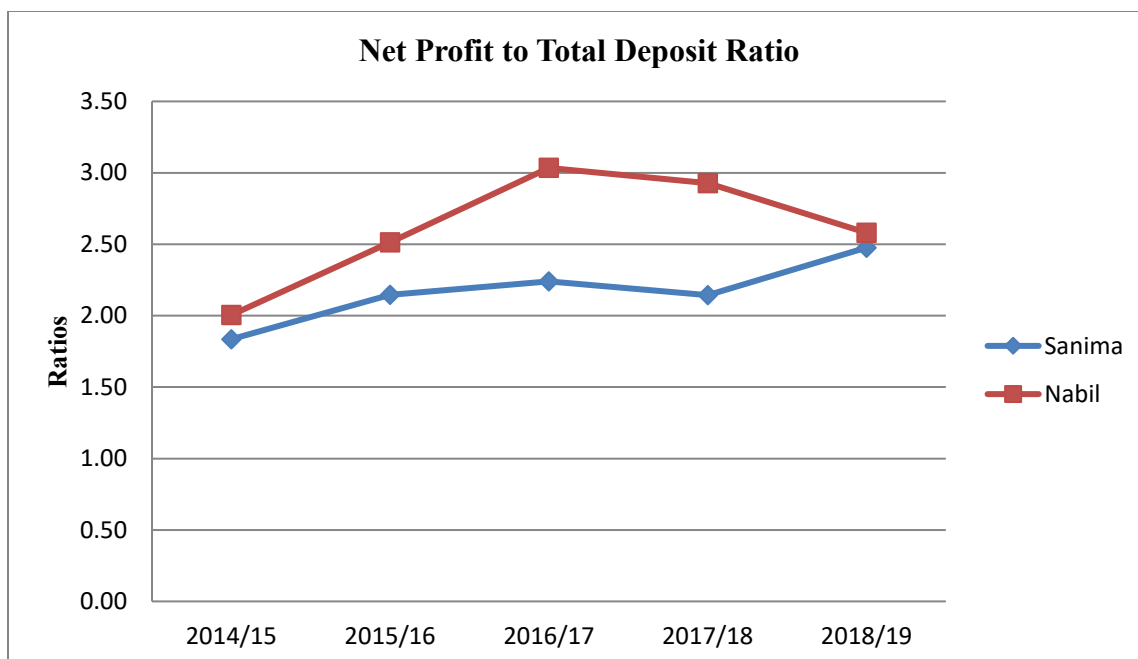
Figure 4: Net profits to Total Deposit Ratios of Bank

The figure 4 depicts Net profit to total deposit of bank for the last five years. This ratio is fluctuation during the study period as seen in the figure.

4.1.4 Descriptive Analysis

The descriptive analysis consists of descriptive statistical tolls such as range, minimum and maximum value. In addition, it also deals with statistical tools such as mean and standard deviation regarding undertaken variables such as loan and advances, net profit and total deposit.

Table 4

Descriptive Analysis

Descriptive Statistics						
Variables	N	Range	Minimum	Maximum	Mean	Std. Deviation
LA	10	107160.00	28590.00	135750.00	75776.00	32214.62
NP	10	3615.86	624.14	4240.00	2373.69	1276.72
TD	10	130320.00	34050.00	164370.00	94353.00	40900.45

The table 4 depicts the descriptive analysis of variables such as total loan and advances, net profit and total deposit collection over five years with ten number of observations. The

total loan and advances range is 107160.00 having minimum collection of 28590.00 million to maximum collection of 135750.00 million. The mean value for loan and advance is 74776 million with standard deviation of 32214.62 million. Similarly, the total net profit range is 3615.86 having maximum collection of 4240.00 million to minimum collection of 624.14 million. The mean value for loan and advance is 2373.69 million with standard deviation of 1276.72 million. Eventually, the total deposit range is 130320.00 having maximum collection of 164370.00 million to minimum collection of 34050.00 million. The mean value for loan and advance is 94353.00 million with standard deviation of 40900.45 million.

4.1.5 Correlation Analysis

Correlation is a statistical technique that can show whether and how strongly pairs of variables are related. Like all statistical techniques, correlation is only appropriate for certain kinds of data. Correlation works for quantifiable data in which numbers are meaningful, usually quantities of some sort. The main result of a correlation is called the correlation coefficient (or "r"). It ranges from -1.0 to +1.0. The closer r is to +1 or -1, the more closely the two variables are related. Among the various methods of finding out coefficient of correlation, Karl Pearson's Method is applied in the bank. It is the most common and useful tool to measure the relationship between two variables X and Y.

Table 5

Correlation Analysis

Correlations				
	Variables	LA	NP	TD
LA	Pearson Correlation	1	.956**	.970**
	Sig. (2-tailed)		.000	.000
NP	Pearson Correlation		1	.968**
	Sig. (2-tailed)			.000
TD	Pearson Correlation			1

**. Correlation is significant at the 0.01 level (2-tailed).

The table 5 depicts the correlation analysis between total loan and advances, net profit and total deposit collection. The loan and advance has positive relationship with both net profit and total deposit mobilization. Thus, they move in the same direction. An increment over total loan and advance would lead to an increment over net profit and total deposit and vice-versa. The corresponding p-value is 0.000, which is less than level of significance (α) = 0.01 at 99 percent confidence level results that there is significant relationship between loan and advances, net profit and total deposit.

Similarly, the net profit has positive relationship with both loan and advances and total deposit mobilization. Thus, they move in the same direction. An increment over net profit would lead to an increment over loan & advances, total deposit, and vice-versa. The corresponding p-value is 0.000, which is less than level of significance (α) = 0.01 at 99 percent confidence level results that there is significant relationship between loan and advances, net profit and total deposit.

Eventually, the total deposit has positive relationship with net profit and total loan and advance. Thus, they lead each other in the same direction. When total deposit increases as a result, net profit, loan, advances increase, and vice-versa. The corresponding p-value is 0.000, which is less than level of significance (α) = 0.01 at 99 percent confidence level results that there is significant relationship between loan and advances, net profit and total deposit.

Table 6

Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.987a	.974	.967	.09050
a. Predictors: (Constant), Ln_NP, Ln_LA				

The table 6 depicts the multiple linear regression analysis undertaking brand preference as dependent variable. The multiple regression model summary, the R-square for this model, which 0.974. This means that 97.4 percent of the variation in the dependent variable total

deposit is explained by independent variables net profit and loan & advances with the standard error of the estimate of 0.09050.

Table 7

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
		ANOVA				
Model						
1	Regression	2.176	2	1.088	132.875	.000b
	Residual	.057	7	.008		
	Total	2.234	9			
a. Dependent Variable: Ln_TD						
b. Predictors: (Constant), Ln_NP, Ln_LA						

The fitness of the model is stated by an F-value of 132.875 at a 0.00 percent level of significance. This implies that the research model is a good-fit in explaining the effect of net profit and loan & advances on total deposit.

Table 8

Coefficients Analysis

		Unstandardized Coefficients		Standardized Coefficients		
		Coefficients				
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.550	1.736		2.044	.080
	Ln_LA	.335	.299	.314	1.121	.009
	Ln_NP	.534	.220	.679	2.427	.046
a. Dependent Variable: Ln_TD						

The table 8 depicts the regression coefficient of undertaken variables. The regression coefficient of loan and advance in the regression coefficient analysis is 0.335 which indicates that if taste is increased by one percent, the average influence on total deposit will increase by 33.5 percent. The corresponding p-value is 0.009 which is less than 0.01; hence, there is statistically positive and significant relationship between loan & advance and total deposit. Thus, the alternative hypothesis; there is significant relationship between loan & advance and total deposit is accepted.

Similarly, the regression coefficient of net profit in the regression coefficient analysis is 0.534 which indicates that if taste is increased by one percent, the average influence on total deposit will increase by 53.4 percent. The corresponding p-value is 0.046 which is less than 0.01; hence, there is statistically positive and significant relationship between net profit and total deposit. Thus, the alternative hypothesis; there is significant relationship between net profit and total deposit is accepted.

Table 9

Hypothesis Summary

Hypotheses	Variables		P-Value	Results
$H_1$1: There is significant relationship between loan and advances and total deposit.	TD	LA	0.009	Accept $H_1$1
$H_1$2: There is significant relationship between profitability and total deposit.	TD	NP	0.046	Accept $H_1$2
$H_1$3: There is significant relationship between loan and advances and profitability.	NP	LA	0.000	Accept $H_1$3

4.2 Major Findings

i)   The total loan and advances to total deposit ratio of SNMA and NABIL for the last five fiscal years which are in fluctuating trend. SNMA has the highest ratio of 90.42 percent in the FY2018/19 and the lowest ratio is 83.96 percent in the FY 2014/15. Similarly, NABIL's highest ratio is 82.59 percent in the FY 2018/19 and the lowest ratio 64.42 percent in the FY2014/15.

ii) The average of NABIL is the lower with 75.35 percent than SNMA with the mean ratio of 87.79 percent. We can conclude that SNMA is the most successful to mobilize its total deposit as loan and advances and acquiring high profit though it is less consistent than NABIL. By the coefficient of variation, NABIL is more uniform and consistent since it has higher CV 0.93 than that of SNMA which has CV 0.90.

iii) The net profit to loan and advance over the five years study period. The ratio of SNMA is the highest of 2.74 percent and lowest of 2.18 percent respectively in FY 2018/2019 and 2014/2015.

iv) The ratio of NABIL ranges the highest of 4.07 percent and the lowest is 3.12 percent in FY 2016/2017 and FY in 2014/2015 respectively. The average net profit to loan and advance of SNMA and NABIL are 2.46 percent and 3.50 percent respectively. It indicates that the NABIL has high volume of interest income is an indicator of good performance of lending activities than SNMA. By measuring coefficient of variation, both of the banks have equal CV with 0.92.

v) The net profit to total deposit over the five year study period. The ratio of SNMA is the highest of 2.48 percent and lowest of 1.84 percent respectively in FY 2018/2019 and 2014/2015. Likewise, the ratio of NABIL ranges the highest of 3.11 percent and the lowest is 2.01 percent in FY 2016/2017 and FY in 2014/2015 respectively.

vi) The average net profit to total deposit of SNMA and NABIL are 2.17 percent and 2.64 percent respectively. It indicates that the NABIL has high volume of interest income is an indicator of good performance of lending activities than NABIL. By measuring coefficient of variation, NABIL is more uniform and consistent since it has higher CV 0.95 than SNMA with CV of 0.93.

vii) The descriptive analysis of variables such as total loan and advances, net profit and total deposit collection over five years with ten number of observations. The total loan and advances range is 107160.00 having minimum collection of 28590.00 million to maximum collection of 135750.00 million. The mean value for loan and advance is 74776 million with standard deviation of 32214.62 million.

viii) The total net profit range is 3615.86 having maximum collection of 4240.00 million to minimum collection of 624.14 million. The mean value for loan and advance is 2373.69 million with standard deviation of 1276.72 million.

ix)   The total deposit range is 130320.00 having maximum collection of 164370.00 million to minimum collection of 34050.00 million. The mean value for loan and advance is 94353.00 million with standard deviation of 40900.45 million.

x)   The multiple linear regression analysis undertaking brand preference as dependent variable. The multiple regression model summary, the R-square for this model, which 0.974. This means that 97.4 percent of the variation in the dependent variable total deposit is explained by independent variables net profit and loan & advances with the standard error of the estimate of 0.09050.

xi)   The fitness of the model is stated by an F-value of 132.875 at a 0.00 percent level of significance. This implies that the research model is a good-fit in explaining the effect of net profit and loan & advances on total deposit.

xii)   The regression coefficient of undertaken variables. The regression coefficient of loan and advance in the regression coefficient analysis is 0.335 which indicates that if taste is increased by one percent, the average influence on total deposit will increase by 33.5 percent. The corresponding p-value is 0.009 which is less than 0.01; hence, there is statistically positive and significant relationship between loan & advance and total deposit. Thus, the alternative hypothesis; there is significant relationship between loan & advance and total deposit is accepted.

xiii)   The regression coefficient of net profit in the regression coefficient analysis is 0.534 which indicates that if taste is increased by one percent, the average influence on total deposit will increase by 53.4 percent. The corresponding p-value is 0.046 which is less than 0.01; hence, there is statistically positive and significant relationship between net profit and total deposit. Thus, the alternative hypothesis; there is significant relationship between net profit and total deposit is accepted.

4.3 Discussions

The regression coefficient of undertaken variables. The regression coefficient of loan and advance in the regression coefficient analysis is 0.335 which indicates that if taste is

increased by one percent, the average influence on total deposit will increase by 33.5 percent. The corresponding p-value is 0.009 which is less than 0.01; hence, there is statistically positive and significant relationship between loan & advance and total deposit. The total loan and advances to total deposit ratio of SNMA and NABIL banks are high degree of positive correlation which means when total deposit increases loan & advances also increases and vice versa. This result is consistent with the finding mentioned by Shrestha (2014) and Pokharel (2015). Similarly, the correlation between loan & advances to profitability of sample banks are high degree of positive relation. Which indicates the increase in loan & advances increases the profitability. This result is consistent with the finding of Kadariya (2017).

The regression coefficient of net profit in the regression coefficient analysis is 0.534 which indicates that if taste is increased by one percent, the average influence on total deposit will increase by 53.4 percent. The corresponding p-value is 0.046 which is less than 0.01; hence, there is statistically positive and significant relationship between net profit and total deposit. The correlation between total deposits to profitability of sample banks found to be high degree of positive, which indicates the increase in total deposit increases the profitability. The finding of this study is consistent with KC (2018).

CHAPTER-V
SUMMARY AND CONCLUSION

5.1 Summary

Banks are the pillars of the financial system of a country. Specially, in developing country Nepal, proper banking system is very important, because the capital market is in progress in Nepal. Commercial bank has now emerged as renowned and reliable financial institutions. The economic development of any nation depends on how well it has been able to mobilize economic and financial resources. Bank has not just evolved as an institution where public can deposit money or acquire loan. As deposits are the source of any commercial banks as bank operates by collecting deposit from all over the country and mobilizing it into lending activities either directly by loaning or indirectly through capital market. Their major target is to gather deposit from all over the country by attracting customer with their new and fascinated product however in status deposit mobilization is critical issue for banks. Cognizant of this, in depth analysis is done based on secondary data. The research is intended to address challenges and prospects of deposit mobilization commercial bank in Nepal.

It is concluded that deposit mobilization is the key focus of many banks. However, finding deposit is becoming a challenging role for the banks in Nepal compatible with the growing need of loans. Owing to the growing need for finances from new and existing businesses of the country coupled the banks own desire to make profits from those finances, deposit mobilization is becoming the critical success factor for banks. The fast-increasing number of branches, the service modernization activities and the growing competition among Banks all justify this fact. However, it is observed that the deposit position of Bank was significantly increasing in every year during the period from 2014/2015 to 2018/2019. Commercial banks are successful somewhat in attracting the deposits from the public and thereby it is successful in developing the habit of savings among people. In the context of sample bank, they are able to collect the deposit in increasing trend. Like other commercial banks. The loan and advances of the bank is in increasing trend. This shows that bank are able to mobilize the deposit in the form of loan and advance. One of the banking

technologies adopted by Nepal government is to make access of every Nepali citizen to have bank account. This made the easy access of financial services in the unbanked people and mobilized the low costs deposits as opposed to the usual way of getting deposits through term deposits. The deposits mobilized have a direct effect on the financial performance of commercial banks in Nepal.

Above all it has observed that the commercial bank of Nepal are unable to meet the requirement of people for loan and advance, due to lack of sufficient deposit collected causes by cut throat competition , lack of policy to bring un source money in market. The findings also indicate that a positive change in deposits interest rate affects the level of deposits received and later on the profitability of the bank increase in deposits every year reflects the commercial bank of Nepal in mobilization of funds for deployment.

With its prudent management and good governance, banks deposit mobilizations was comparatively good and in increment status. Bank is firmly committed to consolidating and maintaining its identity as a leading, innovative commercial bank, with a proactive approach to the changing needs of the society. This is because of number of products and services made available to its valuable customers. Today, with its efficient, value-added services, sustained growth, consistent profitability and development of new technologies.

5.2 Conclusion

In conclusion, the loan and advance has positive and significant relationship with both net profit and total deposit mobilization. Thus, they move in the same direction. An increment over total loan and advance as well as net profit would lead to an increment over total deposit and vice-versa. The position of profitability in commercial banks is satisfactory and found to be increasing per year. Similarly, the effect of both net profit and loan and advance over total deposit mobilization is significant and positive. Therefore, an effective mobilization of total deposit would increase the profitability of commercial banks. However, loan and advance also have positive effect on deposit mobilization of commercial banks which indicates proper maintenance of loan and advance out of total deposit mobilization would increase profitability of banks.

5.3 Implications

Managerial Implications

The development of good quality institution such as law and order, efficient bureaucracy, and democratic accountability are crucial to accelerate the financial institutions and commercial banks in Nepal. Many of the other variables can be used such as liquidity maintenance and loan management etc. In order to take full advantage of the commercial banks transactions and investment with it the number of listed companies is increasing every year but the increase is not proportionate among the various sectors. The managers can evaluate the deposit mobilization and take benefit by identifying the beneficial source of investment so that deposit could be effectively utilized. Therefore, the government has to bring new policy to attract more manufacturing, processing, trading companies to come in public and to establish the transaction with Nepalese Commercial banks.

Future Scope

The result of the study has uncovered new evidence in Nepalese perspective which is considered valuable to the market participants. The findings of the study seems to be particularly useful for the equity investors and fund managers as they can use the above variables while making financial policies, plan and formulation of optimum capital structure for betterment of Nepalese commercial banks. Similarly, the future research is helped to provide valuable literature.

Variables Scope

In addition, the additional variables such as total non-performing loan to total deposit, total credit to total deposit, return on asset to total deposit and total cash reserve to total deposit could be added, by adding these variables the contribution of these variables on total deposit mobilization could be measured in broader way.

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DEPOSIT MOBILIZATION OF COMMERCIAL BANKS IN NEPAL

A Dissertation Proposal

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1.1 Background of the Study

With the financial liberalization, the number and types of financial institution in developing countries have surged within recent years. The financial system has become more complex day-by-day comprising of government as well as private sectors financial institutions including bank, insurance companies, mutual fund, finance companies and investment banks. Financial institutions have great influence in the country's economy as they assist in economic development of the country.

Nepalese context of major financial institutions comprise of A-class commercial bank B-class development bank C-class finance companies D-class micro finance companies and newly introduced Nepal Infrastructure Bank limited with an aim to contribute in large-scale investment in the infrastructure projects.

Commercial bank are one of the most organized and important component of Nepalese financial system. Commercial bank in Nepal helps to mobilize the fund for short term, medium-term as well as facilitate the Nepalese economy by mobilizing long term investment. Commercial bank, also called depositary institutions are the profit oriented financial institution which performs various banking activities like accepting bank deposits from small rural public to entities as well as other financial institution, lending to most productive and profitable sector as well as lending to priority sector in order to enhance agriculture, industry, tourism etc. in the country.

Individual and entities needs money to pursue their daily business, so they place their money at money market to earn interest is termed as deposit. It is a liability owed by bank and other financial institution to the depositor. Deposits of commercial banks are the money deposited by the individuals and the corporation in different form of accounts with the expectation of earning certain stable return, safety, easy transaction and so on.

"Deposits" means amounts deposited in current, savings or fixed accounts of a bank or financial institution through costumer with or without accruing interests and the term also includes such amounts which a bank or financial institution accepts through different financial instruments as specified by the Rastra Bank from time to time (BAFIA 2073)

The commercial banks must tap deposits from urban and rural areas. Adams (1978) argued in support of mobilizing voluntary saving from rural pro poor households on various grounds. Adams recognized the potential of voluntary saving mobilization for overall strengthening of the rural financial markets. According to Adam the voluntary saving mobilization plays a significant role in strengthening local service organizations. Moreover, it has a favorable impact on discouraging household consumption. It is pleasing to note that commercial banks of Nepal have accepted the new challenge and been making great efforts in finding out and exploiting new sources of deposits in rural area too, where it is hard to operate due to insufficient infra-structure and other technical assistant from the part of government. This helps the banks to provide large amount of funds to priority sectors for development. Commercial banks of Nepal are now trying to fascinate more deposits by introducing attractive savings structures. Under the provision of Nepal government to maintain banks accounts of every Nepali citizen, the Government had impressed upon the banks to operate every rural part of the country and make all possible efforts to search for new deposits, because the growth of any country's economy depends on capital accumulation, which in turn depends on investment and an equivalent amount of savings to match it.

To mobilize enough deposits, banks should present various kind of deposit schemes to attract customers. Normally customers have various kinds of needs and wants with respect to their gender, age, profession, level of income, type of necessity, tenure, size of business and so many other factors lead to make a discrepancy among customers when they deposit their money in banks. There should be strategy requires as policy and procedural changes, development of innovative programs and improvement in the quality of services provided to the depositors. Furthermore, the quality of banking services depends on several factors as, interest rate, banking time, promotion, branching policy. The expansion of banking facilities is the key factor for deposit mobilization and when providing facilities accessibility is the most important factor. Innovative approaches, Interest rate policy, more incentives to depositors, more incentives to bank employee when achieving targets on

deposit mobilization, training for bank employees and expansion of infrastructure play important role for to raise deposit from depositor (Khalily, 1987).

Acceptance of deposits and mobilization productive sector is the crucial function of commercial Banks. As such, deposit mobilization is one of the basic innovations in Nepali Banking activity. Hence, in this study an attempt is made to evaluate the gears of deposits mobilization on the financial performance of Nabil Bank Limited and Sanima Bank Limited.

1.2 Problem Statement

Financial development is crucial to economic growth and banks are the most important elements of the financial system. Banks as financial intermediaries are expected to provide a place for people to save incomes remaining after consumption. It is only possible from the deposit collected from public for extending credit facility to entrepreneurs and other industrialist. However deposit mobilization has become major challenge in present competitive market in Nepal.

Nepal has been struggling to maintain macroeconomic balance for a couple of years. Low growth rate, high unemployment, balance of payments deficit, ballooning trade deficit, and high and sticky inflation are some of the existing macroeconomic challenges. Trade deficit widened by 17.2 percent to Rs.1211.96 billion in the eleven months of 2018/19. Similarly, current account registered a deficit of Rs. 248.72 billion in the review period. High current account deficit is due to the expansion of imports. Now, add to that list banking and liquidity crises engendered largely by the Bank and Financial Institutions (BFIs) themselves and to some extent by Nepal Rastra Bank (NRB), the central Bank and its disastrous consequences in and beyond the banking system. The number of bank and financial institutions are increasing rapidly in Nepalese market. There already twenty-eight commercial bank in operation, consequences of which the liquidity position of banks is weak and nearly to breach the regulatory requirement (CCD ratio). The following will be the statement of the problem of the proposed study:

i) What is the relationship between total deposit mobilization, loan & advances and profitability of Nepalese commercial bank?

ii) What is the profitability position of commercial banks in Nepal?

iii) Do profitability and loan & advance have effect on total deposit mobilization of commercial banks?

iv) Are the Nepalese commercial banks mobilizing their deposit efficiently?

1.3 Objectives of the Study

The major objective of this study is to determine the effects of deposits mobilization on the financial performance of sample commercial banks. This research work are to examine the efficiency of NABIL Bank and Sanima Bank Limited by making a study of deposits mobilization of sample bank how they utilize to fulfill the financial needs of the different sector of economy. The specific subjective of the study are given as below:

i) To examine the relationship between total deposit mobilization, loan & advances and profitability of Nepalese commercial bank.

ii) To ascertain the profitability position of commercial banks in Nepal.

iii) To assess the effect of profitability and loan & advance on total deposit mobilization of commercial banks.

iv) To study the total deposit mobilization in Nepalese commercial banks.

1.4 Research Hypothesis

Hypothesis is a question which has been reworded into a form that can be tested and scientifically proved (B. K, 2019). Hypotheses are formulated as possible answer for the research question. The proposed research tentative assumptions are:

$H_1 1$: There is significant relationship between loan and advances and total deposit.

$H_1 2$: There is significant relationship between profitability and total deposit.

$H_1 3$: There is significant relationship between loan and advances and profitability.

1.5 Rationale of the Study

Therefore, bank has to focus on in collecting scared small deposit and transfer these deposit into productive sector for the economic development of nation. Hence, the study will

examine the performance of Sanima bank and NABIL bank in deposit mobilization. Analyzing growth of deposit, loan and advances, investment, and interlink of financial performance and deposit mobilization, give the ideas of the banks functioning, strength and weakness of the bank's strategies. Therefore, the policies and programs can be made to improve the performance of the bank. This study will be significance to know the challenges in deposit mobilization for commercial banks.

The study will deals with profitability, growth rate in subject to deposit, loan and advances, investment and Net Profit, as an aid to economic development, of the country by making research of deposit mobilization of commercial bank and their utilization to fulfill the need of the different sector of the economy. It will be helpful to investor, customers and management team to know how BFIs are utilizing deposit gather from general people and mobilizing into lending activities either by loan or capital market in order to generate profit.

The other significance of this study will be, to support further investigation on the area. Since, there are no sufficient studies conducted on this area of deposit mobilization in Nepal, it will also help other researchers through revealing issues for further research.

1.6 Literature Review

B.K (2019) concluded that deposit mobilization is the key focus of many banks. However, finding deposit is becoming a challenging role for the banks in Nepal compatible with the growing need of loans. Owing to the growing need for finances from new and existing businesses of the country coupled the banks own desire to make profits from those finances, deposit mobilization is becoming the critical success factor for banks. The fast-increasing number of branches, the service modernization activities and the growing competition among Banks all justify this fact. However it is observed that the deposit position of Bank was a significant increasing in every year during the period from 2013/2014 to 2017/2018. Commercial banks are successful somewhat in attracting the deposits from the general public and thereby it is successful in developing the habit of savings among people.

Maharana, Choudhury & Panigrahi (2015) Concluded that there was a significant up trend and growth in current deposits but in terms of growth of deposit year by year is fluctuating. There is significant decline in deposits in scheduled commercial banks in Bhubaneswar during the period from 2009-10 to 2012-13. As there is a significant increase in current deposit and term deposit over the period under study the mobilization of demand deposit and term deposits by bank of Baroda is more than Axis bank over the period. On the whole, it is concluded that Bank of Baroda in Bhubaneswar city has performed well in deposit mobilization in five years from 2010-11 to 2014-15.

1.7 Research Method

The entire process based on philosophies, principles and mechanism of research, by which we attempt to solve problems or search the answer to question are collectively known as the Research Methodology. It is the way of systematically solving the research problem. It is the process of arriving at the solution of the problem through planned and systematic dealing with the collection, analysis and interpretation of facts and figures. It includes different dependent and independent variables, types of research design, population and sample, sources of data, data collection and processing procedure, data analysis tools and techniques (statistical & financial tools, software package to be used in the research).

1.7.1 Research Design

Research design refers to the planning or making a decision before starting with the research study. It is the planning of strategy of conducting research. It is the processing detailing, what is to be observed, how it is to be observed, when/where it is to be observed, why it is to be observed, how to record observation, how to analyze and interpret observation and, how to generalize. Thus it is blueprint for research.

The research examines the facts and postulates in certain frameworks on details and supplies the important information on subject matter, summary of the study, major findings of the study, recommendations, conclusions etc. are the most significant information among them. They are derived with the help of some financial tools and statistical tools to evaluate the investment policy of sample banks.

It is the plan, structure, and strategy of investigation conceived so as to obtain answer to research questions and control variances. For the fulfillment of the objectives of proposed research descriptive and analytical research designs had been used.

1.7.2 Population and Sample

All the items under consideration in any field of inquiry constitute a universe or population. A complete study of all the elements of the population is known as census enquiry. But the need of sampling arises when the fields of study grow large and it becomes difficult to adopt such methodology. Total population for this study is the commercial banks licensed by NRB are 28. Among them, the sample banks are taken on the basis of judgmental sampling method of non-probability sampling. Though the sample is relatively small, efforts are made to make the more accurate and precise. Sanima Bank Ltd and NABIL Bank Ltd will be the sample banks for this study.

1.7.3 Sources of Data

Data can be obtained from either the primary source or secondary source. Primary source refers as originally collected data for the first hand use to the purpose of various research works. The use of same data by other parties would now be termed as secondary data.

This study has used secondary source of data collected from Sanima Bank limited and NABIL Bank limited. All the collected data and information have been properly arranged, synthesized, tabulated and calculated to arrive at the realistic analytical steps.

1.7.4 Data collection and processing procedure

Data refers to the raw form of information. It may sign, symbol, number or other unstructured form. Data collection is the process of gather data from relevant sources. Which should be accurate, relevant and consistent?

In my proposed research, I will focus on quantitative data rather than qualitative data. These data collect from secondary sources. The secondary sources are governmental sources, semi-governmental sources, private organization, Non-government organization, International non-government organization, newspapers, Google, YouTube etc. After

collection of data I will transfer data to information after a series of steps. Such steps includes,

• Editing

• Coding

• Classification

• Tabulation

• Presentation

1.7.5 Data Analysis Tools and Techniques

For the fulfillment of the objective of research, various financial and descriptive statistical tools and techniques, Excel (Software) will be used. The analysis of data will be done according to the pattern of data available. Due to limited time and resources, simple analytical statistical tools such as percentile, graph will be used in this research. Likewise, some financial tools such as ratio analysis and trend analysis will also be used for financial analysis.

A) Statistical Tools

Under statistical tools, the following tools may use:

i) Descriptive Statistical Tools

Descriptive Statistical tools help to find out the trend of financial position of the sample banks .it also analyze the relationship between variables and helps banks to take appropriate decisions regarding to fulfillment of organization goals. Descriptive analytical tools such as Percentage, Mean (arithmetic), variance and standard deviation may be used in the proposed thesis.

ii) Inferential Statistical Tools

Unlike with the data description which have the focus of describing the sample data, while the focus of inferential analysis is on estimation or hypothesis testing, by using sample purely to make inferences about the population. This process is formally known as inferential statistics.

There are two major groups of inferential statistics, (i) parametric and (ii) non-parametric. In my proposed research, I will use only parametric test as per the need. Under the parametric test, Correlation Analysis and Regression analysis will use.

B) Financial tools

Under financial tools, ratio analysis is use to determine the information. The major ratios to be used in the proposed thesis are:

i) Return on Assets (ROA)

Return on assets is a financial ratio that shows the percentage of profit that a company earns in relation to its overall resources (Total Assets). It is calculated by:

ROA= Net Income/$Total\ Asset$

ii) Return on Equity (ROE)

The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

ROE=Net Income/$Shareholder's\ Equity$

iii) Debt ratio

The debt ratio is defined as the ratio of total debt to total assets. A high ratio indicates that a company may be putting itself at a risk of default on its loans if interest rates were to rise suddenly

Debt Ratio=Total Debt /$Total\ Assets$

iv) Debt to equity ratio

It is the ratio of total liabilities of a business to its shareholders' equity. It is a leverage ratio and it measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business.

Debt to equity Ratio=Total Debt/ $Total\ Equity$

v) Loan to deposit ratio

The loan-to-deposit ratio (LDR) is used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements.

Loan to deposit Ratio=Total Loan/$Total\ Deposit$

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