

**INTEREST RATE STRUCTURE OF JOINT VENTURE BANKS
IN NEPAL AND ITS IMPACT ON DEPOSIT AND LENDING**

A Thesis

By

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RECOMMENDATION LETTER

It is certified that thesis entitled **INTEREST RATE STRUCTURE OF JOINT VENTURE BANKS IN NEPAL AND IT'S IMPACT ON DEPOSIT AND LENDING** submitted by **Sushil Rijal** is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after the proposal. The thesis is forwarded for examination.

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We, the undersigned, have examined the thesis entitled **INTEREST RATE STRUCTURE OF JOINT VENTURE BANKS IN NEPAL AND IT'S IMPACT ON DEPOSIT AND LENDING** presented by Mr. Sushil Rijal, a candidate for the degree of **Master of Business Studies** (MBS) and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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12 May, 2018

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Sushil Rijal
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ABSTRACT

Commercial banks constitute a major chunk of total assets in the banking system in Nepal. The collection of deposits and extension of credit is one of major functions of banking institutions. When the saving increases lending amount is also increase. If banks are not efficient in their lending behavior, it may not contribute to economic growth. Deposit and lending mobilization is depending upon interest rate structure. The main objective of the study is made the relationship between interest rate and deposit & lending amount of joint venture commercial banks in Nepal. In this study, researcher raised three questions and aimed to analyze the interest rate structure of joint venture commercial banks, which are in line with first research question. Similarly, researcher also aimed to examine the relationship of interest rate with deposit and lending. Which are in line with last two research questions. Secondary data are used for the study and have been sourced from Banking and Financial Statistics NRB. Descriptive and correlational research design have been used in the study. The various statistical tools are used to interpret and analyze the data. the models involves Nepalese joint venture commercial banks interest rate is independent variable and other variables deposits and lending amount as dependent variable for the period, 2012 – 2017. From the regression techniques, the study revealed that there is a positive relationship between interest rates and deposits suggesting that interest rates has been responsible for customers deposits in joint venture banks in Nepal. Similarly, there is significant negative relationship between interest rates and lending amount suggesting that interest rate has been responsible for lender. This study, therefore recommended that the interest rate is major factors for expansion and contraction of deposits and lending amounts. The findings and results will be helpful to evaluate the strength and weakness of the sample joint venture banks. The recommendation is made to take a corrective action and decisions.

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LIST OF ABBREVIATIONS

EBL	=	Everest Bank Limited
SBI	=	State Bank of India
HBL	=	Himalayan Bank Limited
NABIL	=	Nabil Bank Limited
PNB	=	Panjab National Bank
ABBS	=	Anywhere Branch Banking System
CEO	=	Chief Executive officer
ATM	=	Automated Teller Machine
FY	=	Fiscal Year
NRB	=	Nepal Rastra Bank
GDP	=	Gross Domestic Product
ARDL	=	Auto Regressive Distributed Lag
CBD	=	Commercial Bank Deposit
OLS	=	Ordinary Least Square
LTD	=	Limited