

**DEPOSIT MOBILIZATION AND ITS DETERMINANTS OF COMMERCIAL  
BANKS IN NEPAL**

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fulfilment of the requirements for the Master's Degree

By

Dravin Nath Kushmi

Exam Roll No.: 2372/17

T.U. Regd. No.: 7-2-327-1098-2011

Campus Roll No.: 93/073

Shanker Dev Campus

Kathmandu Nepal

July, 2024

## CERTIFICATE OF AUTHORSHIP

I hereby corroborate that have researched and submitted the final draft of dissertation entitled **“DEPOSIT MOBILIZATION AND ITS DETERMINANTS OF COMMERCIAL BANKS IN NEPAL”**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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Dravin Nath Kushmi

July, 2024

## REPORT OF RESEARCH COMMITTEE

Mr. Dravin Nath Kushmi has defended research proposal entitled “**DEPOSIT MOBILIZATION AND ITS DETERMINANTS 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 guidelines of supervisor Ramesh Kumar Paudel and submit the dissertation for evaluation and viva-voce examination.

Ramesh Kumar Paudel  
Dissertation Supervisor

Signature.....

Dissertation Proposal Defended Date:

.....

Dissertation Submitted Date:

.....

Asst. Prof. Dr. Sajeeb Kumar Shrestha  
Head, Research Department

Signature .....

Dissertation Viva-voce Date:

.....

## APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled “**DEPOSIT MOBILIZATION AND ITS DETERMINANTS OF COMMERCIAL BANKS IN NEPAL**” presented by Dravin Nath Kushmi candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva-voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

.....  
Ramesh Kumar Paudel  
Dissertation Supervisor

.....  
Internal Examiner

.....  
Internal Expert

.....  
External Expert

.....  
Asso. Prof. Dr. Sajeeb Kumar Shrestha  
Chairperson, Research Committee

.....  
Asso. Prof. Dr. Krishna Prasad Acharya  
Campus Chief

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## ABBREVIATIONS

KBL	=	Kumari Bank Limited
EBL	=	Everest Bank Limited
TD	=	Total Deposit
GDP	=	Gross Domestic Product
LTD	=	Loan to Deposit Ratio
NRB	=	Nepal Rastra Bank
ROA	=	Return on Assets
DIR	=	Deposit Interest Rate
IR	=	Inflation Rate
Rs.	=	Rupees
VIF	=	Variance Inflation Factor
SD	=	Standard Deviation

## ABSTRACT

Innovative marketing techniques, such as the deployment of mobile van banks, should be developed in order to raise the volume of low-cost deposits that commercial banks in Nepal are able to collect. This study's main goal is to examine how macroeconomic and bank-specific factors affect Nepal's commercial banks' ability to mobilize deposits. The secondary data analysis used in this study spans the fiscal years 2013–14 through 2022–23. The information was gathered from the annual financial stability report, the annual report of the respective banks, and the economic statistics and bulletin issued by Nepal Rastra Bank. Descriptive, correlational, and casual comparative research designs have all been utilized to meet the study's goals. The total deposit is the dependent variable, and the independent variables are macroeconomic (inflation rate, gross domestic product) and bank-specific (deposit interest rate, loan to deposit ratio, return on assets). The coefficient values for the following variables are as follows: 1.863, -0.130, -2.458, -0.482, -0.688 for the deposit interest rate, loan to deposit ratio, return on assets, and gross domestic product, respectively. At the five percent significance level, the deposit interest rate has a positive and statistically significant impact on the total amount of deposits in the bank. At the 10% significance level, the gross domestic product shows a statistically significant negative correlation with total deposit. On the total deposit of banks, the loan to deposit ratio, the return on assets, and the inflation rate have a negative and statistically negligible impact. The impact of interest rate changes on savings and general financial stability should be taken into account by central banks. To optimize benefits, practitioners should carefully craft deposit interest rate policies.

**KEYWORDS:** *GDP, Inflation Rate, Return on Assets, Loan to Deposit Ratio, Deposit Interest Rate*

## CHAPTER – I

### INTRODUCTION

#### **1.1 Background of the study**

Deposit collection and mobilization constitute a fundamental source of capital formation, integral to the operations of commercial banks. The mobilization of deposits is of the utmost importance because it is one of the most important ways that banks offer saving options to the general public. This, in turn, makes it possible to distribute funds to investors, putting public funds toward productive endeavors that help a nation's economy grow. The mobilization of deposits and the collection of deposits are inextricably linked, and neither can exist on its own. Their mobilization is impossible without the collection of deposits, and their utility is diminished without mobilization (Bhattarai, 2019).

For sustaining economic expansion and establishing a dynamic economic structure, an effective financial system is essential. Countries with well-developed financial institutions, according to empirical evidence, experience faster growth rates. Commercial banks play a crucial role in controlling the financial system in developing nations, particularly those where the banking sector dominates the financial landscape, like Ethiopia. Financial intermediation relies heavily on these organizations, and economic expansion is significantly influenced by their operational efficiency. As a result, the banking system supports financial intermediation by efficiently mobilizing and allocating economic funds (Banke & Yitayaw, 2022).

Any global economy's growth and stability depend on a strong banking system. Because of this crucial role, banks are now at the center of financial decision-making in economic institutions. For a nation's economic growth to be boosted and promoted, savings and investments are essential. Because it is the primary source of investment capital required for sustained economic development and growth, encouraging individuals to save is essential. Capital accumulation is facilitated by an increase in savings, which ultimately drives economic expansion (Alemu, 2021).

The strength and stability of a country's financial system has a big impact on its economic growth and development, especially in bank-based systems where banks are

the main sources and regulators of investment capital. Banks act as intermediaries, collecting depositors' deposits and lending the funds to both public and private investors. The deposit base of commercial banks is the cornerstone of their operations. Money that customers deposit into commercial banks with the intention of earning interest and having it safeguarded is by definition a bank deposit. The amount of existing research highlights the importance of bank deposits in promoting economic growth, especially in developing and emerging countries. Ghana is a developing country with a relatively underdeveloped capital market, making it an example of this dynamic (Ünvan & Yakubu, 2020).

The banking industry is at the center of a robust, well-developed financial system, which is essential for economic expansion. The smooth running of banks has a major effect on the health and stability of the economy since they make it easier to invest and accumulate capital, both of which require sufficient deposits. Deposits are the working capital of the economy and are necessary for the long-term viability and profitability of banks. Because it allows banks to finance loans and investments, deposit mobilization is one of their main functions. Banks use deposits to launch, grow, and maintain their operations while operating with less capital than other types of organizations, which leads to their high levels of profitability (Gunasekara & Kumari, 2018).

Mobilizing financial resources is essential to maintaining economic stability. Local deposits are the main source of resources used by commercial banks, with foreign currency, loan collections, and client deposits serving as secondary sources. In commercial banks, the mobilization of resources is greatly impacted by customer deposits. Banks provide a variety of deposit options, each generating interest based on the kind of deposit, including demand, savings, women's, youth, and fixed-time accounts. Increased interest rates encourage additional deposits from clients. Deposits are the most important resource for commercial banks since they are lent to borrowers by the banks. Banks can satisfy client financial demands and engage in the market efficiently when they have sufficient resources (Ambe, 2017).

Any economy's banking sector uses government, business, and household surplus funds to lend to deficit sectors for productive investment. Banks need to be able to

effectively mobilize deposits to expand their resource base and serve the economy. Money for Deposits Banks needs to get deposits from both the cities and the countryside. Interest rates, branch expansion, and liquidity are internal factors that the bank can control that affect deposit mobilization. The government and regulators manage external factors like inflation, exchange rates, government spending, and GDP that the bank cannot control. Based on these macroeconomic signals, banks adjust their deposit strategies to attract more deposits when conditions are favorable (Azolibe, 2019).

The resilience and longevity of a country's financial system, especially its bank-based system, which allocates and manages investment money, are crucial factors in determining that country's economic growth and development. Banks act as middlemen, directing depositors' money toward both private and public investors. Deposits, which are monies put in commercial banks by clients in order to earn interest and assure protection, are essential to the functioning of these institutions (Ünvan & Yakubu, 2020).

### **1.1.1 Current situation of deposit mobilization**

In comparison to a fall of Rs.43.66 billion (0.9 percent) in the same time last year, deposits at Banks and Financial Institutions (BFIs) fell by Rs.7.56 billion (0.1 percent) during the review period. In mid-September 2023, deposits at BFIs increased 13.2 percent year over year.

In mid-September 2023, the proportion of demand, savings, and fixed deposits to total deposits was 6.2%, 25.9%, and 61.2 percent, respectively. A year ago, these shares were 7.7 percent, 26.5 percent, and 58.8 percent, in that order.

As of mid-September 2023, 36.1% of BFIs' total deposit balance was made up of institutional deposits. This percentage was 37.2% at the middle of September 2022.

### **1.2 Problem statement**

Availability of enough deposits are essential to the banking industry, just as blood circulation is essential to human life. Without it, life cannot exist. Similarly, the main

prerequisite for banking businesses to ensure their survival is deposit mobilization. Therefore, drawing in more and more clients is essential for the banking industry.

Development that is inclusive and sustainable is the aim of economic policy. The administration employed economic policy to achieve these objectives. In order to efficiently deploy savings to promote long-term, sustainable economic growth, the government anticipates the financial sector developing into a competitive, integrated, and efficient financial system that is appropriately regulated and governed. Because it enhances the efficient mobilization of savings and expands access to financial goods and services, the financial sector is therefore critical to realizing the objectives of the economy. In this sense, banks are essential to the economy and businesses since they offer financial services and facilitate the gathering of different types of deposits. Savings accounts comprise the bulk of deposits made to banks, which frequently accept them (Tun, 2019).

Bhattarai (2019) ) claims that the money supply, GDP, and interest rate spread all have a positive influence on deposits and deposit interest rates, but the inflation rate has a negative impact due to the Nepalese environment. Other creative marketing techniques that can raise the amount of low-cost deposits, including the usage of mobile van banks for deposit collection, should be developed in order to enhance the amount of deposits mobilized in Nepal's commercial banks. The management of Nepal's commercial bank need to implement measures that center on the unbanked populace, as they constitute a noteworthy portion of the clientele excluded from the financial system, and their inclusion can foster confidence and maintain the bank's efficiency

According to Banke and Yitayaw (2022), the profitability of the bank has a favorable and statistically significant effect on the increase of commercial bank deposits. The loan to deposit ratio, capital sufficiency, inflation, population growth, economic growth, and political stability all statistically significantly and negatively effect commercial bank deposit mobilization.

Islam et al. (2019) found that while the deposit growth rate of banks is positively impacted by the deposit interest rate, loan-to-deposit ratio, inflation rate, and broad

money growth rate, it is negatively impacted by the number of bank branches, company size, and GDP growth rate.

According to Alemu (2021), government spending, interest rates, and return on asset were the three explanatory variables that positively and significantly impacted deposit mobilization out of the seven. Conversely, the rate of inflation had a statistically insignificant effect on the mobilization of deposits.

According to Tafa and Worku (2022), the loan to deposit ratio, bank profitability, number of branches, and unemployment and economic growth rates are some of the macroeconomic factors that significantly affect the total deposit.

According to Ünvan and Yakubu (2020), significant factors influencing bank deposits are inflation, bank size, profitability, and liquidity ratio. Monetary policy and capital adequacy have minimal effect on deposit volume in the interim.

Loan to deposit ratios and loan loss provisions have a statistically significant negative impact on Ethiopian commercial banks' deposit levels; branch growth, profitability, and capital adequacy ratio have a favorable impact. The mobilization of deposits by Ethiopian commercial banks was mostly impacted by internal difficulties. Since the bank's management has control over these internal factors, focusing more attention on the identified bank-specific factors—such as the loan to deposit ratio, loan loss provision, ROA, capital adequacy, and branch expansion can improve the bank's deposit mobilization (Tarekegn, et al., 2018).

The banks were unable to effectively monitor and manage deposits because they were ignorant of the factors that might have an impact on them. Understanding and valuing those traits will be essential to the organization's efficient functioning since they will serve as a gauge of the organization's strengths and weaknesses in light of the changing business climate.

The following are the ways that the challenge in this study project pertains to the mobilization and collection of funds:

- How does a particular Nepalese commercial bank's total deposit, deposit interest rate, loan to deposit ratio, return on assets, GDP, and inflation rate stand right now?

- Do the total deposit, deposit interest rate, loan to deposit ratio, return on assets, GDP, and inflation rate of a few chosen Nepalese commercial banks have any meaningful correlations with each other?
- Do the loan-to-deposit ratio, GDP, inflation rate, return on assets, and deposit interest rate affect the total amount of deposits made at particular Nepalese commercial banks?

### **1.3 Objectives of the Study**

This study's main goal is to examine how macroeconomic and bank-specific factors affect Nepal's commercial banks' ability to mobilize deposits. The following are the precise goals of this study:

- To assess the situation of total deposit, deposit interest rate, loan to deposit ratio, return on assets, GDP, and inflation rate.
- To investigate the relationship between the total deposit in Nepal's commercial banks and the inflation rate, GDP, loan to deposit ratio, return on assets, and deposit interest rate.
- To examine how Nepal's commercial banks' total deposit is affected by the interest rate on deposits, the loan to deposit ratio, return on assets, GDP, and inflation rate.

### **1.4 Hypothesis**

As a potential response to the research question, hypotheses are developed. The tentative presumptions of the proposed research are:

H1: Bank deposits are significantly and favorably impacted by deposit interest rates.

H2: The ratio of loans to deposits significantly and favorably affects deposits.

H3: Bank deposits are significantly and favorably impacted by profitability.

H4: Bank deposits are significantly and favorably impacted by the gross domestic product.

H5: The pace of inflation significantly hinders the mobilization of deposits.

### **1.5 Rationale of the study**

Studying the variables influencing deposit mobilization in commercial banks can be beneficial to a variety of stakeholders, including commercial banks, prospective researchers, and interested parties. It provides bank managers with a fundamental grasp of the elements that impact deposit mobilization and the actions that enhance the performance of their bank (Tarekegn, 2018).

This study assists in proposing and suggesting a solution to the identified problem based on the information acquired. It might also aid in raising the management of Commercial Banks' awareness of the changing nature of the business environment. Furthermore, it offers relevant context for addressing the identified issue (Ambe, 2017).

To maintain financial soundness, commercial banks should make a concerted effort to strengthen their financial position. This entails reducing the proportion of nonperforming loans, adhering to international and national guidelines for sound financial management (e.g., reserve requirement, asset and liability position, capital adequacy ratio), and making every effort to enhance the bank's goodwill and reputation (Bogale et al., 2021).

### **1.6 Limitations of the study**

No research can be without constraints; some of the most significant ones encountered throughout the study's preparation are listed below:

- The study's scope has been constrained by time and resources, and only five of the 20 commercial banks surveyed have been included. Insurance companies, development banks, finance companies, microcredit development banks, NGOs/INGOs, cooperatives, mutual funds, and others are among the financial institutions subject to deposit mobilization. This study only takes into account commercial banks and not all of these financial institutions.
- Only the 10 fiscal years from 2013–14 to 2022–23 were covered by this study.
- Only secondary data are used in this investigation. This study is not regarded as the main data source.
- This study only examines commercial bank deposit mobilization. Other factors, such as bank size, image, promotion, branch expansion, awareness, services, and technology, are not taken into account in this study.

## CHAPTER- II

### LITERATURE REVIEW

A review of the literature is an examination of earlier research in the relevant topic. There are two primary sections to this chapter. The chapter's first section deals with the study's theoretical overview, while its second section deals with an analysis of earlier research.

#### 2.1 Theoretical review

##### **Keynesian Theory of Liquidity Preference**

The liquidity preference theory was proposed by John Maynard Keynes. According to Keynes's theory, people prefer to hold their wealth in liquid forms (money) for three main reasons: transactional, precautionary, and speculative (Keynes, 1936). By addressing these motivations through their financial products, banks, according to this theory, can mobilize deposits.

- **Transactional Motive:** People want liquidity in order to conduct daily business. Banks encourage deposits by providing easily accessible accounts that make these kinds of transactions possible.
- **Precautionary Motive:** People keep cash funds on hand as insurance against unanticipated circumstances. By offering secure, easily accessible savings accounts with liquidity and security, banks may encourage the deposit of money.
- **Speculative Motive:** People retain liquid assets in order to capitalize on potential future investing opportunities. Banks can attract deposits from speculative individuals by providing appealing investment products and interest rates.

##### **Modern Portfolio Theory**

Harry Markowitz created modern portfolio theory, which focuses on optimizing investment portfolios to get the highest return for a given amount of risk (Markowitz, 1952). This idea has ramifications for deposit mobilization as banks may draw in deposits by providing balanced, varied investment options that appeal to depositors who are risk averse.

- **Diversification:** Banks may draw deposits from those looking to diversify their assets and lower risk by providing a variety of investment options.
- **Risk-Return Optimization:** By offering products that satisfy the preferences of various types of depositors and strike an ideal risk-return balance, banks can mobilize deposits.

### **Financial Intermediation Theory**

According to the financial intermediation theory (Gurley & Shaw, 1960), banks facilitate the effective allocation of resources by acting as intermediaries between savers and borrowers. People are more likely to deposit their money because banks lower transaction costs and information asymmetries.

- **Reduction of Transaction Costs:** Banks cut down on the costs of holding and transferring money by offering services like account management and payment processing.
- **Reduction of Information Asymmetry:** By obtaining and analyzing borrower data, banks lower the risks for individual savers and draw in deposits.

### **Permanent Income Hypothesis**

Milton Friedman proposed the permanent income hypothesis, which contends that people should make decisions about their savings and spending based on their projected lifetime income rather than their actual income (Friedman, 1957). According to this notion, banks may encourage deposits by offering goods that help customers achieve their long-term savings objectives.

- **Long-Term Savings Products:** Banks can attract deposits from people who are planning for their financial security in the future by providing products like fixed deposits, retirement accounts, and other long-term savings options.

### **Life Cycle Hypothesis**

Franco Modigliani proposed the life cycle hypothesis, which states that individuals plan their lifetime consumption and savings habits to smooth out their consumption patterns (Modigliani & Brumberg, 1954). This theory says that banks can get deposits by making products for different stages of people's life cycles.

- **Stage-Specific Products:** To attract deposits from individuals at various stages of their life cycles, banks can offer customized financial products like education savings accounts, retirement plans, and mortgage products.

## **2.2 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.

### **2.2.1 Concept of Deposit Mobilization**

The collection of deposits is an essential component of banking activity. The primary function of banking has been regarded as the mobilization of savings through extensive deposit collection. The primary function of commercial banks is to accept deposits. As a result, one of the fundamental innovations in current banking activity is deposit mobilization (Narayana et al., 2015).

Mobilizing deposits is a crucial aspect of banking operations. A banking institution's lifeblood is its deposits. The public can choose from a number of deposit options offered by the banks, including term, savings, and current deposits (Ganapathy & Alagarsamy, 2017).

Mobilizing deposits is an integral aspect of banking operations. By establishing a conduit between lenders and borrowers and redistributing funds from resource surplus units to resource deficit units with more favorable investment prospects, banks play a critical role in illuminating economic efficiency. Consequently, it is essential to investigate the factors that motivate commercial banks to mobilize deposits (Alemu, 2021).

The low level of capital production has been attributed to the low level of savings brought on by Nigeria's high level of consumption and low income level, which limit banks' capacity to create money through intermediation (Jacob & Innocent, 2019).

Deposit mobilization is the process by which financial institutions gather money from the general public via a variety of channels, including current, savings, and fixed deposit accounts as well as other specialized programs (Gunasekara & Kumari, 2018).

Mobilizing deposits is one of the main functions of the banking system. Banks mobilize the capital from individuals, corporations, businesses, and the government that is needed for investment and economic expansion. Determining the elements influencing deposit mobilization is essential for maintaining liquidity, effectiveness, and competitiveness in the market (Ayene, 2020).

The majority of a bank's working capital comes from deposits. It is also essential to the economy's growth. Higher savings are accompanied by higher investment. Consequently, economic growth is enhanced. Deposit mobilization is crucial to the economy and banks (Tun, 2019).

Deposit mobilization is the most important service and a fundamental part of banking operations. The mobilization of savings through substantial deposit collection has been considered Ethiopian banking's fundamental purpose. Deposit management, however, is difficult without knowledge of and control over the variables influencing deposits (Banke & Yitayaw, 2022).

Deposit mobilization is a vital activity for commercial banks that is essential to their survival. As such, identifying the main factors affecting it is crucial (Ünvan & Yakubu, 2020).

A deposit is one of the components of bank liabilities and it serves three purposes. To begin with, a deposit is a technique for making money. Second, growth in deposits raises the volume of savings in an economy. Third, deposit is one of the two variables that determines the amount of money that is available in an economy. These duties are so important that without deposits, banks would not be able to make money (Abiodun et al., 2021).

Any country's economy is built on the banking sector, and bank deposits are the main source of this sector's prosperity. Bank deposits are a significant determinant of a country's ability to save (Mushtaq & Siddiqui, 2017).

Bank deposits are the public's main source of income, and fluctuations in the amount of money in circulation are directly correlated with variations in the price of products and services across the economy (Pradhan & Paneru, 2017).

### **2.2.2 Major types of deposit products**

An account that enables both deposits and withdrawals is known as a deposit account. It could be any kind of bank account—savings, current, or otherwise. The bank logs these transactions into its systems, and the total that results shows the customer's obligation to the bank and is recorded as a liability for the bank. Some banks may charge for this service, while others may provide their customers interest on their deposits. The account holder may withdraw any deposited funds in accordance with

the terms and conditions of the account. The following is a list of the most typical kinds of bank deposits.

Ünvan and Yakubu (2020) state that the following are the main categories of deposits: To meet these needs, banks provide three different types of deposits: demand, savings, and time deposits. The definitions of the three deposit categories are provided below.

i. Demand Deposit: Also known as a current account, the demand deposit is utilized by people who require money for transactions. That is, individuals who want money for personal expenses and businesses that require funds to run their day-to-day operations.

ii. Savings Deposit: The savings account is the second type of deposit that meets the needs of those who want to save and make money at the same time. Savings account holders have cash on hand for insurance needs, but they are also encouraged to make investments. The cautious argument for holding money is that people need to have cash on hand in case of unforeseen circumstances.

iii. Time Deposit: A time (fixed) deposit is the last category of deposit that banks provide to their clients for investing purposes. Clients that wish to earn a higher rate of return on their investment but don't usually use their money do so.

### **2.2.3 Importance of savings deposit**

#### **i. For customer:**

Saving is an important factor in making financial decisions for consumers. Due to their sophistication, uncertainty, and long-term horizon, saving products are frequently regarded as more complex and challenging to evaluate than other products. As a result, many customers consult a financial advisor before deciding to save (Eriksson & Hermansson, 2019).

For low- and moderate-income households to be able to easily pay for routine, unanticipated expenses like car repairs and emergency dental care, saving is essential. Additionally, it has linked these households' inability to save for medium- and long-term goals and their use of high-cost credit to their unmet emergency savings needs (Brobeck, 2008).

## **ii. For Financial Institutions:**

Mauri (1983) stated the significance of Savings deposits as a crucial source of loanable funds and portfolio protection collateral for financial institutions. They help clients evaluate loans, generate interest revenue, and encourage financial discipline in them. Additionally, they build trust and stability in the financial system by fostering relationships with customers, the community, and the institution.

The quantity and makeup of banking resources affect a bank's performance. The process via which banks raise money using deposits (Morozko & Didenko, 2018).

Long-term national savings are recognized to be strongly correlated with the amount of investments made in the economy. The savings of the population are a vital component of the economy and support future growth (Bairamli & Kostoglou, 2010).

## **2.3 Empirical Review**

The empirical study of literature is an interdisciplinary field of study that includes the contextual study of literature, the history of reading literary texts, psychology, sociology, and philosophy. The previous research on the effects of deposit mobilization and its determinant strategies on business performance is reviewed in this section. An empirical literature review is a focused search of published articles and journals.

A study titled "Analyzing the relationship between banks' deposit interest rate and deposit mobilization: Empirical evidence from Zimbabwean Commercial Banks" was conducted by Mashamba et al. (2014). The aim of this research was to examine the relationship between the interest rates that banks charged on deposits and the mobilization of deposits in Zimbabwe between 2000 and 2006. We created an Ordinary Least Squares (OLS) model to show the relationship between the answer and the variables that can be used to explain it. Pearson's correlation coefficient was employed to display the strength of the relationship. Before the regression equation was run, the data were checked for stationarity using the Augmented Dicker-Fuller Test, multicollinearity using the correlation matrix, and autocorrelation using the Durbin-Watson statistic. The analysis discovered a positive correlation between deposit rates and banks' deposits over the examined period, and all other explanatory variables were statistically significant. Furthermore, the noteworthy increase in the coefficient of determination indicates that the explanatory factors were able to

account for the entirety of the variation observed in the deposits dependent variable. Based on a coefficient of determination ( $R^2$ ) of 0.821316, the independent variables in the model explain 82.1316% of the variation in the deposit.

Ambe (2017) investigated the factors that influence deposit mobilization in Ethiopia's commercial banks. This study's main goal is to look at the variables that affect the commercial bank of Ethiopia's ability to mobilize client deposits. A combination of explanatory and econometric analysis has been used to investigate the variables that determine store assembly for Ethiopia's business bank. This cross-sectional study, intended as a causal research study, employed the multiple linear regression model. The bank incorporated five explanatory variables as predictors of consumer deposit mobilization: loan, competition, interest rate, and branch expansion. The econometric findings indicate that the increase of deposit mobilization is significantly influenced positively by loan provision, branch expansion, and customer count. Still, neither the interest rate nor the entry of new competitors has helped the bank's deposit mobilization. Adjusted R-square indicates that the five explanatory variables explain 99.98% of the variation in the dependent variable, total deposit.

In Sri Lanka, Gunasekara and Kumari (2018) looked into the variables influencing deposit mobilization. A random sampling approach was employed after the primary purpose of determining the most effective elements affecting deposit mobilization was investigated. A total of 120 respondents were deemed a sufficient sample size for the nature and scope of the current study. The method employed by the researcher is a questionnaire. The majority of the data came from primary sources, however secondary data was also used appropriately. Primary data are the collected information. The main techniques used in survey research to collect data include questionnaires, observations, and interviews. The data have been examined using "descriptive statistics" and "regression analysis." Three main components comprised the statistical data analysis for the study: univariate analysis, bivariate analysis, and multivariate analysis. Deposit mobilization is favorably connected with deposit interest rate, security, branch expansion, services, technology, and awareness, according to the study. In addition, the association between residing area and deposit quantity, as well as demographic parameters like gender, occupation, income, and

education level, have a big impact on deposit mobilization. In the estimated model, the independent factors explain 69% of the total variation of the dependent variable.

In 2018, Tarekegn and colleagues investigated the factors that influence deposit mobilization in Ethiopian Banks that deal with commerce. Finding the factors that influence Ethiopian commercial bank deposits was the primary goal of this study. The study employed the quantitative research design to choose a sample of seven commercial banks. The Hausman test was also applied. The present study employed internal criteria such as loan-to-deposit ratio, loan loss provision, capital sufficiency, profitability, and branch expansion, while the inflation rate was considered an external component. Both internal and external factors were examined using the balanced panel fixed effect regression model. The study discovered that while profitability, the capital adequacy ratio, and branch expansion have a positive impact on deposit, loan loss provision and the loan to deposit ratio had a statistically significant negative impact on deposit for Ethiopian commercial banks. The fixed effect regression's R<sup>2</sup> score of 55.37 percent indicates that 55.37 percent of the differences in bank deposit mobilization could be explained by the independent variables in the model.

Bhattarai (2019) examined the effects of macroeconomic and bank-specific factors on Nepalese commercial banks' deposit mobilization. This study's primary goal was to examine how interest rates affected Nepal's commercial banks' ability to mobilize deposits. The objectives of the study have been met through the employment of the descriptive, correlational, and casual comparative research designs. The dependent variable was total deposits, while the independent variables were bank-specific factors (interest rate spread, deposit interest rate) and macroeconomic variables (money supply, GDP, and inflation rate). The relationship between the money supply, GDP, interest rate spread on total deposits, deposit interest rate, and inflation has been investigated through the use of multiple regression techniques. Only a sample of ten annual reports from commercial banks, spanning the years 2012–2013 to 2016–17, have been employed in the research to address the problem under investigation. The money supply, GDP, and interest rate spread all positively affect deposits; however, the Nepalese setting negatively affects the other two factors. Deposits would increase in line with the money supply, GDP, and interest rate spread. Similarly, as the interest

rate on deposits rises along with the rate of inflation, the amount of deposits decreases. The R-square value of 0.344 indicates that the independent variables in the equation account for 34.4 percent of the total variation in deposit value.

The macroeconomic dynamics, bank-specific characteristics, and deposit mobilization of Nigeria's banking system were all studied by Azolibe (2019). This critical analysis focused on the interaction between bank-specific characteristics, macroeconomic dynamics, and deposit mobilization in the Nigerian banking industry. Expansion of the bank's branch network, deposit interest rates, and bank liquidity were among the bank-specific indicators; government spending, unemployment, GDP, lending rates, and inflation rates served as proxies for macroeconomic dynamics. In this study, an ex post facto research design is employed. OLS, or Ordinary Least Square, is a statistical method used in Multiple Regression analysis to estimate the degree of association between variables and the like fit to the observed data. The findings, among other things, demonstrated a negative correlation between deposit interest rates and both the consumer price index inflation rate and deposit mobilization in Nigeria. There is very little and a negative correlation between the exchange rate, loan-to-deposit ratio, and unemployment rate. The only two factors in Nigeria that positively and significantly relate to deposit mobilization are the gross domestic product and the number of bank branches; the association between lending rates and government spending is negligible. 0.996583 is the determination coefficient. This suggests that 99.7% of the variation in deposit mobilization can be explained by both bank-specific factors and macroeconomic dynamics.

The factors influencing the deposit mobilization of Bangladesh's private commercial banks were investigated by Islam et al. in 2019. Using panel data regression methods, this study investigated the effects of macroeconomic and firm-specific variables on the deposit mobilization of private commercial banks. Fourteen banks have been specifically selected for the sample. This study demonstrates that the broad money supply growth rate, as indicated by the banks deposit growth rate, has a significant positive impact on the banks deposit growth rate, whereas the total deposit, as measured by company size, has a significant negative impact on deposit mobilization. The number of bank branches, deposit interest rate, loan-to-deposit ratio, GDP growth rate, and inflation rate, on the other hand, have no discernible effects on the deposit

growth rate of private commercial banks in Bangladesh. It is clear from the corrected  $r$  square of 21.36 percent that the model fits the data well. This shows the ability of independent factors to account for dependent variables.

Tun (2019) looked into an empirical examination of macroeconomic variables influencing private commercial banks in Myanmar's deposit mobilization. This study examined the effects of the real interest rate, GDP per capita, money supply, and average exchange rate on deposits mobilization in the context of private commercial banks in Myanmar. This study focuses on a sample of 24 private commercial banks. Regression and inferential analysis were used to characterize and assess the relationship between the independent and dependent variables. The study finds that while the money supply has a negative and negligible impact on private bank deposit mobilization, real interest rates, GDP per capita, and exchange rates have a positive and considerable impact. 97% of the fluctuations in the dependent variable, deposit mobilization, were explained by the independent variables, according to the adjusted R Squares value of 0.968.

In 2020, Ünvan and Yakubu examined whether bank-specific variables influence bank deposits in Ghana. This study looked at how certain bank-specific characteristics affected the amount of bank deposits in Ghana. The dependent variable was total deposits; the independent variables were inflation, bank size, capital adequacy, return on assets, liquidity, and the monetary policy rate. The panel data was utilized and analyzed using the ordinary least squares (OLS) method. After adjusting for macroeconomic variables, the results show that profitability, bank size, and liquidity are important predictors of bank deposits. The macroeconomic instability proxied by inflation significantly harms bank deposits. The study employs traditional panel models, which include random effects, fixed effects, and pooled OLS, to examine bank deposits and independent factors. The models' high  $R^2$  values of 98.9% suggest that most changes in bank deposits can be explained by the explanatory factors included in the study.

Ayene (2020) examined the factors that influence deposit mobilization in the context of particular Commercial Bank of Ethiopia branches. Finding the factors that influence bank deposit mobilization in the context of Commercial Bank of Ethiopia is the aim of this study. For this study, a descriptive research design was adopted. In

certain situations, secondary data are used in addition to primary data. Multistage sampling was used in this investigation. Data analysis involves the application of quantitative techniques. The results show that branch development, the range of services the bank offers, the privacy of client information, confidence in the banking system, and saving practices are important factors that affect deposit mobilization. Furthermore, two important macroeconomic factors that affect deposit mobilization are inflation and interest rates.

The factors influencing commercial bank deposit growth were examined by Legass et al. (2021) using data from Ethiopian commercial banks. The purpose of this study is to examine the primary drivers of the increase in deposit growth at Ethiopian commercial banks, with a focus on industry-specific and macroeconomic variables. The chosen macroeconomic factors in this study are the age dependence ratio, inflation, population growth, unemployment rate, and broad money supply. Conversely, as variables exclusive to banks, branch growth and bank size are included. The study used panel data in accordance with the type and data of the investigation, after doing the required diagnostic tests and the Hausman test to evaluate the suitability of the fixed effect. The data was then estimated using the ordinary least squares approach. The expansion of deposits in commercial banks is significantly boosted by the general money supply, bank size, and inflation. Population increase and the age dependence ratio have a statistically significant negative impact on deposit growth. The results show that there is a statistically insignificant but positive correlation between unemployment rates. Based on bank-specific criteria, branch expansion has a positive significant link with deposit growth in commercial banks, whereas bank size has a positive but negligible relationship with the same. The presence of fluctuations in the dependent variable is indicated by a coefficient of determination ( $R^2$ ) of 0.7202, or 72.02 percent.

Nigerian domestic currency deposits and deposit factors were examined by Abiodun et al. in 2021. The purpose of the study was to look at how Nigerian domestic currency deposits were affected by macroeconomic and banking sector-specific factors. The total domestic currency deposit of banks on the theoretical threshold of the Ayodeji-Ajala bank intermediation (economic value) theorem was used in the study as a proxy for the dependent variable, domestic currency deposit, and three

macroeconomic variables (interest rate, GDP, and inflation) and two banking sector-specific variables (private sector credit and bank size) were used as the independent variable, deposit determinants. The Auto Regressive Distributed Lag (ARDL) technique was applied. It was shown that interest rates had a negligible negative effect on local currency deposits in Nigeria, but that the inflation rate and gross domestic product had a positive and negative influence, respectively. While bank size had a small effect, private sector credit was also found to have a large beneficial influence on domestic currency deposits. Furthermore, a substantial long-term association was found between domestic currency deposits and deposit determinants in Nigeria. The presence of fluctuations in the dependent variable is indicated by a coefficient of determination ( $R^2$ ) of 0.8901, or 89.01 percent.

Alemu (2021) oversaw deposit mobilization drivers for Ethiopia's private commercial banks. It was crucial to investigate the variables influencing Ethiopian commercial banks' deposit mobilization. The study was conducted using the panel data. Furthermore, the fixed effect model was applied in combination with several diagnostic tests, such as the heteroskedasticity test, the autocorrelation test, the Lagrangian test, the hausman test, the unit root test, and the autocorrelation test. They have been examined using the data's econometric and descriptive analyses. According to the descriptive analysis of the report, there had been a 9.7% increase in Ethiopia's average rate of deposit mobilization by commercial banks over the preceding nine years, and a 1.413% increase in branch expansion. Overall, there were changes of 0.137, 0.39, 0.003 percent, and more in the liquidity ratio, risk rate, inflation rate, and asset return rate, respectively. Four of the seven explanatory variables—government spending, interest rates, and return on asset—have a positive and significant influence on deposit mobilization of 5% and 10%, respectively, based on the fixed effect model. However, there is a statistically significant negative impact of 5% on deposit mobilization due to the inflation rate.

The factors impacting deposit mobilization at Ethiopia's commercial bank were investigated by Bogale et al. in 2021. Using CBE as evidence, the study examined the nation's capacity for deposit mobilization. The choices of analysis techniques were impacted by the study's goals and the characteristics of the variables. The results of the Johansson co-integration test with level lags show that Reserve Requirement and the Consumer Price Index have a negative trend over time on Commercial Bank of

Ethiopia's Total Deposit, while Total Asset, Total Liability, and Total Loans and Advance have a positive trend on the same, all of which are statistically significant. After the variables were co-integrated, the short run coefficient was calculated using the vector error correction method (VECM). Furthermore, the only factors that adversely affect the Commercial Bank of Ethiopia's deposit in the short term are the Consumer Price Index and the total amount of loans and advances.

Agegneu and Gujral (2022) investigated the factors that influence deposit mobilization in Ethiopian commercial banks. An econometric model was employed in conjunction with an illustrated examination plan and a quantitative exploration technique to achieve the exploration goals. The study's sample size consists of seven private commercial banks. Panel data was collected and examined using regression analysis, a correlation matrix, and descriptive statistics. While exchange rates and inflation have no effect at all on the growth of bank deposits, bank profitability, GDP, and liquidity all have positive and statistically significant effects on bank deposit growth. General inflation did not considerably contribute to the rise of bank deposits. The R<sup>2</sup> value of the regression model was found to be 0.8797. It shows that 87.97% of the variance in the bank deposit was explained by the independent variables in the model.

Ethiopian private commercial banks' deposit determinants were studied by Tafa and Worku in 2022. The purpose of this study was to look into Ethiopia's private commercial bank deposit determinants. To achieve the research objectives, a quantitative research strategy and an explanatory research design were applied. A sample size of six private commercial banks has been selected for this investigation. The data from several banks were examined using descriptive statistics and random effect model analysis. The results of the regression show that two macroeconomic variables—the unemployment rate and the rate of economic growth—as well as three internal variables—the loan-to-deposit ratio, profitability, and the number of bank branches—have a significant impact on the total deposit of private commercial banks. For DEPO, the corresponding R-squared values are 0.7137 and 0.7263. This suggests that 71.37% of the variations in the total deposits of private commercial banks may be attributed to changes in the independent variables.

Deposit mobilization and its drivers in Ethiopian commercial banks were studied by Banke and Yitayaw (2022). Using balanced panel data, this study investigated the

macroeconomic and bank-specific factors influencing deposit mobilization in Ethiopian banking sectors. A quantitative method and an explanatory design were applied. The model's output indicates that the loan-to-deposit ratio, capital adequacy, economic growth, inflation, population growth, and political stability have a negative impact on commercial bank deposit mobilization. Conversely, there is a statistically significant positive correlation between commercial bank profitability and deposit growth. The fact that the factors in the model accounted for over 47.5% of the variation in deposit mobilization scores suggests that the fit was appropriate. This suggests that around 47.5% of the variation in the bank's total deposit mobilization was caused by the components in the model.

**Table 1**

*Summary of Literature Review*

S. N.	Authors	Objectives	Methodology	Major Findings
1.	Mashamb a et al. (2014)	To study sought to analyze the relationship between banks' deposit interest rates and deposit mobilization in Zimbabwe.	Ordinary Least Squares (OLS) model, Pearson's correlation coefficient was employed, stationarity using the Augmented Dicker-Fuller Test, multicollinearity using correlation matrix and autocorrelation using the Durbin-Watson statistic.	The study found a positive relationship between deposit rates and banks' deposits for the period under study. GDP and Financial Deepening were positive and statistically significant. Interest Rates Margin, Inflation were negative but statistically significant.
2.	Ambe (2017)	To investigate factor that determine customer	Descriptive and econometric analysis has been applied. Causal	Loan provision, branch expansion and number of customers are found to have significant

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	deposit mobilization by the commercial bank of Ethiopia.	research design by using multiple linear regression of model.	positive impact for the growth of deposit mobilization. However the emergence of new competitors and interest rate is not found to have positive impact to induce deposit mobilization in the bank.
3.	Gunasekar and Kumari (2018) To investigate the most effective factors affecting deposit mobilization.	The data has been analyzed using descriptive statistics and regression analysis. Statistical data analysis of the study mainly based on three sections as, Univariate analysis, Bivariate Analysis and Multivariate Analysis.	The study reveals that, there is a significant and positive relationship between deposit mobilization and deposit interest rate, security, branch expansion, services, technology and awareness. Moreover, there is 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.
4.	Tarekegn et al. To identify the determinants of	The quantitative approach to	Loan loss provision and loan to deposit ratio

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(2018)	commercial banks deposit in Ethiopia.	research was used. Besides Hausman test was employed. Both internal and external variables were analyzed by employing the balanced panel fixed effect regression model	have negative and statistically significant impacts on deposit of Ethiopian commercial banks while profitability, capital adequacy ratio and branch expansion have positive and statistically significant impact on deposit.
5. Bhattarai (2019)	To analyze the impact of interest rate on deposit mobilization of commercial banks in Nepal.	Descriptive, correlational and casual comparative research design has been used.	Interest rate spread, money supply, and gross domestic product are a positive impact on deposit and deposit interest rate, inflation rate are negative effects of Nepalese context.
6. Azolibe (2019)	To examine the nexus between macroeconomic dynamics, bank-specific factors and deposit mobilization of the Nigerian banking sector.	The study adopts an <i>expost facto</i> research design. Multiple regression Ordinary Least Square (OLS) statistical tool was applied.	Inflation rate and deposit interest rate have negative and significant relationship with deposit mobilization in Nigeria. Exchange rate, unemployment rate and loan-to deposit ratio have negative and insignificant relationship. Lending rate and Government

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				expenditure have insignificant positive relationship while it was only Gross domestic product and number of bank branches that have positive and significant relationship with deposit mobilization in Nigeria.
7.	Islam et al. (2019)	To examine the impact of firms-specific variables and macroeconomic variables on the deposit mobilization of private commercial banks.	Panel data regression methodology.	The results of this study provide evidence that total deposit (as measured by company size) has significant negative impact on the deposit mobilization (as measured by banks deposit growth rate) and broad money supply growth rate has significant positive impact on the banks deposit growth rate whereas the rest of the selected variables i.e. number of banks branches, deposit interest rate, loan-to-deposit ratio, Gross Domestic Products (GDP) growth rate,

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			inflation rate have no significant impact on the banks deposit growth rate of the private commercial banks in Bangladesh.
8.	Tun (2019)	To explore the impact of macroeconomic factors on deposits mobilization in the case of private Commercial banks in Myanmar.	Inferential analysis and regression analysis was used. The study finds that real interest rate, GDP per capita and exchange rate have a positive and significant effect on the deposit mobilization while money supply has a negative and insignificant impact on deposit of private banks.
9.	Ünvan and Yakubu (2020)	To examine the impact of bank-specific factors on the volume of bank deposits in Ghana.	Traditional panel models pooled OLS, fixed effects and random effects were used. The results show that profitability, bank size, and liquidity are significant determinants of bank deposit. Macroeconomic instability proxied by inflation also exerts a negative significant impact on bank deposit.
10.	Ayene (2020)	To identify determinants of bank deposit mobilization in	Descriptive research design was employed. Structured Branch expansion, variety of services offered by the bank, confidentiality of

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<p>the case of Commercial Bank of Ethiopia.</p>	<p>Questionnaire is used for analysis.</p>	<p>customer information, trust on banking system and saving habits are found to be significant variables affecting deposit mobilization. More over interest rate and inflation are also among significant macroeconomic factors affecting deposit mobilization.</p>
<p>11. Legass et al. (2021)</p> <p>To examine major causes of deposit growth in commercial banks in Ethiopia with explicit inference on industry specific and Macro- Economic variables.</p>	<p>Ordinary least square method estimation were used. Hausman test performed to determine the appropriateness of fixed effect.</p>	<p>Bank size, broad money supply, and inflation significant positive effect on deposit growth of commercial banks. Age dependency ratio and population growth have a statistically significant negative effect on deposit growth. The unemployment rate has been found to have a positive but statistically insignificant relationship. The bank- specific factors indicate the branch expansion has a positive</p>

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- significant association while Bank size has a positive but insignificant relationship with deposit growth of commercial banks.
12. Abiodun et al. (2021) To investigate the effects of macroeconomic and banking sector-specific variables on domestic currency deposits in Nigeria. Auto Regressive Distributed Lag (ARDL) approach was employed. Interest rates exhibited insignificant negative effects. Inflation rate exerted significant negative effect on it, and gross domestic product exerted significant positive effect on it. It was, also, found that, private sector credit exerted a significant positive effect on domestic currency deposit while bank size exhibited insignificant positive effect on it.
13. Alemu (2021) To examine the drivers of Commercial banks deposit mobilization in Ethiopia. Panel data has been used. The Commercial data has been analyzed by descriptive and econometrics analysis. Variables such as government expenditure, interest rate, and return on asset positively and significantly affect at 5% and 10% deposit mobilization but inflation rate is
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				statistically and negatively affected deposit mobilization at 5% level of significance.
14.	Bogale et al. (2021)	To look at the potential of the country regarding deposit mobilization by taking commercial bank of Ethiopia as evidence.	Johansson co-integration test was used for long run. Vector error correction (VECM) was used to determine the short run coefficient.	Long run Reserve Requirement and Consumer Price Index negatively affect the Total Deposit in Commercial Bank of Ethiopia whereas the Total Asset, Total Liability and Total Loans and Advance affect Commercial Bank of Ethiopia's Deposit positively and all are statically significant. Short run, among the given Determinants of Commercial Bank Deposit only Consumer Price Index and The total Loans and Advance are significant and affect the Deposit in Commercial Bank of Ethiopia negatively.
15.	Agegneu	To examine the	An explanatory	Bank Profitability,

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	and Gujral (2022)	determinants of deposit mobilization in commercial banks in Ethiopia.	research design and a quantitative research approach were employed using an econometric model. The collected panel data were used and analyzed using descriptive statistics, correlation matrix and regression analysis.	design Gross domestic product and liquidity are positively and statistically significant on bank deposit growth; whereas, Exchange rate and inflation is negatively and statistically insignificant on bank deposit growth. General inflation had insignificant positive influence on bank deposit growth.
16.	Tafa and Worku (2022)	To investigate the determinant of private commercial bank deposits in Ethiopia.	Explanatory research design and a quantitative research approach were employed. Descriptive statistics and random effect model analysis	Loan to deposit ratio, profitability and the number of bank branches and two macroeconomic variables such as unemployment rate and economic growth rate have a significant effect on the total deposit of private commercial banks.
17.	Banke and Yitayaw (2022)	To examine the bank-specific and macroeconomic determinants of deposit	Balanced panel data was used. A quantitative approach and explanatory design were employed.	Loan to deposit ratio, capital adequacy, economic growth, inflation, population growth, and political stability have a

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mobilization in Ethiopian banking sectors	negative and statistically significant effect on commercial bank deposit mobilization. On the other hand, the bank's profitability has a positive and statistically significant impact on commercial bank deposit growth.
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*Source:* Based on Literature Review

#### **2.4 Research gap**

The aforementioned theoretical and empirical study suggests that deposits are the principal resource used by commercial banks, since their objective is to grow deposits to meet lending requirements for clients while preserving profitability. The independent variables are the bank's unique macroeconomic and bank-specific elements; as a result, deposit mobilization affects national socioeconomic parameters. Empirical research on the mobilization of bank deposits in Nepal's commercial banks is scarce. There has occasionally been a rise or fall in the number of commercial banks, even if the research never included the present macroeconomic and bank-specific factors condition. Each of these commercial banks needs a source of deposits. The researcher examines the literature on Google Scholar, Research Gate, and associated websites. A few studies have been conducted in Nepal on this subject.

For example, Bhattarai's (2019) study demonstrates that the deposit interest rate was negative but statistically significant when compared to the entire deposit, but Islam et al. (2019) found that the deposit interest rate had a positive but negligible impact on the total deposit. According to Azolibe (2019), there is no meaningful correlation and a negative loan-to-deposit ratio with total deposits. While Ünvan & Yakubu (2020), Tarekegn (2018), and Banke & Yitayaw (2022) found that the loan to deposit ratio had a negative and statistically significant influence on bank deposits. Alemu (2021) demonstrates that return on asset has a positive and significant impact on deposit

mobilization, but Tafa & Worku (2022) showed a negative association between return on asset and private commercial bank deposits, although the relationship is still significant with total deposits. Agegneu & Gujral (2022), Abiodun et al. (2021), and Bhattarai (2019) have all found a positive and statistically significant relationship between GDP and bank deposit growth. In contrast, Banke & Yitayaw (2022) have found a negative and statistically significant relationship between GDP and commercial bank deposit mobilization. While Ünvan & Yakubu (2020) demonstrate that inflation has a negative significant influence on bank deposits, Agegneu & Gujral (2022) claim that inflation has a negative and statistically negligible effect on bank deposit growth.

## **CHAPTER- III**

### **RESEARCH METHODOLOGY**

A research approach is necessary for any kind of study endeavor. Research methodology is the methodical process of addressing research challenges. Within the framework of the research study, the research methodology takes into account the reasoning behind the techniques and procedures employed, providing an explanation for each one. It also goes over how the research problem was defined, what information was gathered, and the specific strategy used.

#### **3.1 Research design**

Setting up parameters for data collecting and analysis with the intention of striking a balance between relevance to the research question and procedural economy is known as a research design. An orderly plan of investigation and strategy created to address research questions and control deviations is known as a research design. To achieve the objectives of the study, descriptive, correlational, and casual comparative research designs have all been used. The relationship between the dependent variable (total deposit) and the independent variables (deposit interest rate, gross domestic product, return on assets, loan to deposit ratio, and inflation rate) has been examined using multiple regression techniques.

#### **3.2 Population and sampling procedure**

It is not possible to analyze all of the data related to any bank in Nepal. Twenty commercial banks are recognized in our country; the number of banks is determined by the population. Even with the small sample size, efforts are made to increase the accuracy and precision. Using the non-probability convenience sampling technique, sample banks are chosen from among them. Five Nepali commercial banks were chosen as a sample for this study: Kumari Bank Limited, Everest Bank Limited, NIC ASIA Bank Limited, Global IME Bank Limited, and NABIL Bank Limited.

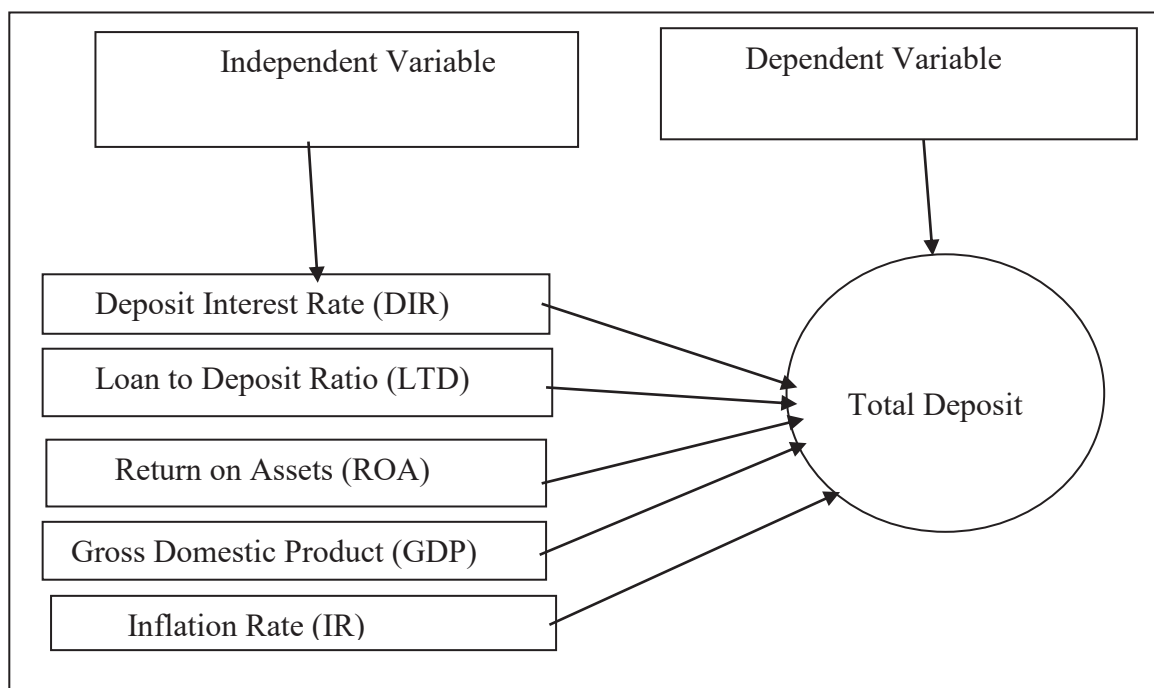
#### **3.3 Nature and Sources of data collection**

To accomplish its objectives, the study is focused on secondary data sources from 2013–14 to 2022–23 (10 years). The annual reports of the following banks—Global IME Bank Limited, NABIL Bank Limited, NIC ASIA Bank Limited, Everest Bank Limited, and Kumari Bank Limited—are the primary source of the secondary data.

- Visiting websites, home pages, and relevant links.
- Nepal Rastra Bank's (NRB) yearly Financial Stability Reports, Economic Bulletin, and indicators.
- Articles, earlier research on relevant subjects, published works by other writers, and journals are the additional sources.

### 3.4 Research framework

According to the empirical literature studies mentioned above, macroeconomic and bank-specific factors together account for two thirds of the total deposit of commercial banks. The factors of bank deposits that were employed in this study were macroeconomic and bank-specific, and they included the inflation rate, return on assets, loan to deposit ratio, deposit interest rate, and gross domestic product. The study has calculated how these factors affect commercial banks' overall deposit levels. The following describes the conceptual diagram showing the link between the independent factors (deposit interest rate, loan to deposit ratio, return on assets, gross domestic product, and inflation rate) and the dependent variable (total deposit):



**Figure 1** Research Framework

Source: Banke & Yitayaw (2022) and Bhattarai (2019), collated by the researcher

## **Definition of Variables**

### **Total Deposit**

The total deposit was the dependent variable in this investigation. Deposit mobilization is one of the most important functions in the banking industry. The amount of public deposits received by the bank through current, savings, fixed, and recurring accounts, as well as other specialized schemes, is crucial to its ability to function as a successful working capital source. Additionally, on occasion, the government has directed banks to employ every strategy at their disposal to draw in new deposits in order to bolster economic expansion. This will simply speed up the pace at which banks lend money to units that are in deficit rather than excess (Banke & Yitayaw, 2022).

A bank deposit is money placed into a bank for safekeeping. The word "deposit" usually implies the act of depositing customer funds in a bank's safe; other sorts of deposits are considered when calculating the total deposits from a bank's perspective. Demand deposits, term deposits with interest, and noninterest bearing deposits are a few cumulative instances of deposit items that are added together to establish the entire deposit value. According to Bhattarai (2019), total deposits are generally seen as a good indicator of a bank's financial stability.

### **Deposit Interest Rate (DIR)**

Interest rates have been the focus of much investigation because of their intricate impact on deposit mobilization and investment promotion. From a conceptual standpoint, interest rates are the cost of borrowing money (a rent payment for borrowers using credit) and the return on investment for lenders who do not require instant liquidity. Among other financial entities, banks engage in a dual process whereby they pay interest on deposits and charge interest on loans and advances made by borrowers. In order to stimulate public savings and boost deposit mobilization, banks regularly enhance deposit interest rates (Azolibe, 2019).

All economic sectors are impacted by interest rates, but the banking industry is especially hard hit since it deals with money directly. A bank's customer may maintain funds in his account in the form of cash, checks, or wire transfers. The amount of money a bank customer maintains in his account is known as a bank

deposit. They are thought to be an important part of any country's savings and have a big influence on any country's economic performance. The bank gives the client some interest at the going rate in exchange (Mushtaq & Siddiqui, 2017).

If the real interest rate declines, the real demand for money may increase. Thus, the conclusion that the loan cost and bank store have a positive relationship is what is suggested. The results of this study supported previous researchers' findings that interest rates have a positive impact on bank deposit mobilization. As real interest rates rise, households' demand for financial security may decline due to an increase in saving both in amount and interest. When these elements come together, banks are better able to deploy savings (Alemu, 2021).

Interest rates and deposits from private commercial banks were found to have a positive and significant link, which is consistent with expectations. Private commercial banks' bank deposits rise in response to an increase in interest rates (Tun, 2019). Interest rates influence bank deposit growth rates favorably (Islam, et al. 2019). Contrary to expectations, the deposit's beta coefficient of interest rate was negative and statistically significant (Bhattarai, 2019). According to the study, there was a substantial and favorable correlation between deposit interest rates and mobilization of deposits (Gunasekara & Kumari, 2018). It was discovered that interest rates had no beneficial effect on the bank's ability to mobilize deposits (Ambe, 2017). There is a slight but favorable correlation between the interest rate on bank deposits and the total deposits of private commercial banks (Tafa & Worku, 2022).

### **Loan to Deposit Ratio (Bank's Liquidity)**

The loan to deposit ratio (LTD), a gauge of bank liquidity, shows what percentage of depositors' money has been extended as loans. It describes a bank's ability to satisfy its responsibilities at any given moment, whether paying an order or returning a customer's deposit. When this ratio exceeds a specific threshold, client deposits decline due to the bank's restricted ability to refund depositors. When a bank withholds money from its depositors, there is a risk to liquidity that other depositors would shun that specific bank (Banke & Yitayaw, 2022).

As part of the process of managing liquidity, bankers must regularly review and schedule cash flows to guarantee that sufficient liquidity is maintained. Finding a

balance between short-term assets and liabilities is crucial. Bank liquidity can be measured using various liquidity ratios. For this study, the total loan and advance to deposit liquidity ratio is employed. At any substantial level, though, it is not statistically significant (Alemu, 2021).

The percentage of an asset that is in cash or that can be swiftly and value-neutrally changed into cash and used to pay short-term commitments is known as a measure of liquidity. The loan to deposit ratio (LDR), which compares a bank's total loans to its total deposits over the same time period, is used to assess the liquidity of the organization. The LDR is presented as a percentage. An excessively high percentage could be a sign that the bank lacks the necessary liquidity to handle customer withdrawals and could potentially deter future deposits. However, if the ratio is too low, the bank could not be making as much money as it could. Therefore, to preserve customer deposit stability and public trust, a bank needs to find a balance between liquidity and profitability (Azolibe, 2019).

There was a negative correlation between deposit mobilization and the loan to deposit ratio. This suggests that the dependent variable of deposit mobilization has an inverse connection with the independent variables of loan to deposit ratio. According to Tarekegn et al. (2018), a rise in those variables will therefore result in a fall in deposit mobilization. The banks' deposit growth rate was positively impacted by the loan-to-deposit ratio (Islam, et al. 2019). An increase in the overall amount of loans and advances made by commercial banks results in an increase in deposits in those banks, which has a positive impact on deposit growth since more loans are made to those clients (Bogale, et al., 2021). There was a negative correlation between the loan to deposit ratio and private commercial bank deposits (Tafa & Worku, 2022). The assessment of banks' capacity to fulfill their immediate financial obligations, known as the liquidity ratio (LIQ), has a detrimental and noteworthy impact on bank deposits. This suggests that a bank's deposit level decreases in response to a percentage increase in the bank's liquidity ratio (Ünvan & Yakubu, 2020).

### **Return on Assets (ROA)**

A company's potential profit from its assets is shown by the profitability ratio, also referred to as return on assets. The ability of a company's management to make money off of its financial resources or assets is gauged by return on assets, or ROA.

ROA is a metric used to quantify profitability. It can be expressed mathematically as follows:  $ROA = \text{Net profit after taxes} / \text{Total asset}$ .

By using profitability ratios, the company's efficiency will be shown. A ratio called profitability gauges a business' capacity to turn a profit (Choiriyah et al., 2020).

Profitability ratios are a crucial indicator of a bank's overall health and should be closely monitored, since they indicate the level of benefits necessary to sustain the bank's capital resource flow. The efficiency with which banks turn a profit is gauged by profitability ratios (Sari & Endri, 2019).

There are two ways to quantify it: return on asset (ROA) and return on equity (ROE). Profitability is the ultimate outcome of greater financial reliability on the bank's ability to take on risk and convert liquidity. The aim of this research is to use return on asset, a stand-in for profitability, to quantify the overall financial performance of banks. It can be computed as the ratio of total assets to net profit after taxes and has a favorable effect on deposit mobilization (Alemu, 2021).

The profitability of the bank has a favorable and statistically significant impact on the increase of commercial bank deposits, according to several studies like Banke & Yitayaw, Tarekegn studied. Bank deposit mobilization is positively and statistically significantly impacted by profitability; this means that, holding other variables constant, a one percent rise in bank profitability will result in a corresponding increase in bank deposit mobilization.

The Commercial Bank's total assets have a statistically significant and favorable impact on the bank's deposits. The bank's assets rise, it gains the public's trust and the goodwill of its clients, and many individuals are drawn to deposit money there (Bogale, et al., 2021). The relationship between bank deposits and profitability is favorable, although the total deposit and profitability was poor (Tafa & Worku, 2022). Bank deposits and profitability (ROA) are inversely correlated, indicating that higher bank profits—which indicate the health of the bank—do not draw deposits. In other words, a rise in bank profitability is probably going to lead to a fall in deposits. However, statistical significance is observed in profitability (Ünvan & Yakubu, 2020).

### **Gross Domestic Product (GDP)**

GDP is defined as the total market value of all final products and services produced in a country in a given year. It is a crucial indicator for assessing a country's economic

performance. Empirical evidence indicates a positive association between GDP growth rates and bank deposit mobilization. During periods of substantial economic expansion, there is often a rise in demand for goods and services, which leads to higher profitability. Because of this, manufacturers are more likely to put their excess money in banks, which raises total bank deposits. Conversely, reduced investment returns during times of economic downturn result in a drop in bank deposits (Azolibe, 2019).

The GDP is one indicator of a country's economic output and national income for a specific time period. The basis for defining GDP is the total market value of all finished products and services produced in a nation over a given period of time (usually one year). An assessment procedure also includes calculating the total value added at every intermediate step of production for all final commodities (goods and services) produced in a nation over a given duration of time. The approach states that a high GDP growth rate requires a high rate of savings (Kira, 2013).

The analysis found a substantial and positive correlation between private bank deposits and GDP per capita, which is consistent with early predictions. Private commercial banks' bank deposits rise in tandem with an increase in GDP per capita. Increased deposit will result from increased revenue (Tun, 2019). The growth rate of bank deposits was negatively impacted by the GDP growth rate (Islam et al., 2019). Mobilization of bank deposits was negatively and statistically significantly impacted by GDP growth. Contrary to predictions, the results demonstrated that a rise in GDP results in a decrease in bank deposit mobilization (Banke & Yitayaw, 2022). GDP had a positive beta coefficient and a deposit that was consistent with presumptions. According to Bhattarai (2019), GDP was statistically negligible. According to Tafa and Worku (2022) there was a moderately positive correlation between bank deposit and GDP growth.

### **Inflation Rate (IR)**

It is described as the gradual increase in average pricing for products and services within an economy over a specified period of time. It is widely acknowledged that there is a negative correlation between the growth of total deposits and inflationary expectations. As inflation increases, people will be enticed to move their savings from

bank accounts to any other type of tangible asset because these assets act as a buffer against falling prices (Tarekegn et al., 2018).

Inflation is the state in which prices rise while the value of money falls. Inflation can affect savings for a variety of reasons. According to the greater uncertainty argument, customers deposit their money as a hedge against potential unfavorable changes in income and other conditions. The effect of inflation on real wealth could potentially have an impact on savings (Legass et al., 2021).

The pace of inflation had a detrimental effect on deposits (Bhattarai, 2019). The mobilization of commercial bank deposits was negatively and statistically significantly impacted by inflation (Banke & Yitayaw, 2022). The private commercial banks' deposit growth rate is not significantly affected by the rate of inflation (Islam et al., 2019). Deposit mobilization was statistically and adversely impacted by the inflation rate (Alemu, 2021). According to Azolibe (2019), there was a significant negative correlation between the consumer price index's inflation rate and deposit mobilization. Bank deposits are significantly impacted negatively by inflation (Ünvan & Yakubu, 2020). One important macroeconomic aspect influencing deposit mobilization was inflation (Ayene, 2020). The rise of bank deposits was positively impacted by general inflation, but not significantly (Agegneu & Gujral, 2022). The rate of inflation had a major detrimental impact (Abiodun et al., 2021).

**Table 2***Summary of Variables*

<b>Variables</b>	<b>Symbol</b>	<b>Explanation/Formula</b>	<b>Expected Sign</b>
Total Deposit	TD	Annual total bank deposits	-
Deposit Interest Rate	DIR	Average annual interest rate paid by the commercial banks to the depositors	+
Loan to deposit ratio	LTD	The ratio of a bank's total loans and advance to its total deposits	+
Return on Assets	ROA	Earnings after interest and tax divided by total asset	+
Gross Domestic Product	GDP	Annual percentage changes in the Gross Domestic Product (GDP) i.e. $(GDP_t - GDP_{t-1})/GDP_{t-1}$	+
Inflation Rate	IR	Annual percentage changes in the consumer price index (CPI) i.e. $(CPI_t - CPI_{t-1}) \div CPI_{t-1}$	+

*Source:* Developed based on the literature

### 3.5 Methods of analysis

Descriptive, correlational, and informal comparative research designs are utilized to use and interpret the data that has been collected. The aforementioned uses basic descriptive techniques like mean, maximum, minimum, standard deviations, and others to help analyze common trends in the data and provide a deeper understanding of the current state of affairs. The study's use of the Statistical Package for Social

Sciences (SPSS) software to ascertain the relationship between the explanatory and dependent variables provides support for the descriptive analysis. Multiple regression approaches are used to assess the link between total deposit and deposit interest rate, loan to deposit ratio, return on assets, gross domestic product, and inflation rate. Using a sample of two banks, descriptive statistics are utilized to examine the overall patterns in the data from 2013–14 to 2022–23. This entails the procedure of examining the gathered data. The study makes use of the following instruments for doing quantitative research.

### **Mean**

The statistical mean ( $\bar{X}$ ) is the average or mean that is utilized to ascertain the central tendency of observations within the sample. Divide the total by the total number of points in order to calculate it. This will add up all of the population's data points. The resulting number is known as the mean or average. It shows the entire collection of data that is about centered between the two extremes. In this study, it is utilized to collect data on the deposits of sample banks during a five-year period. It is calculated in this way: arithmetic Average: The arithmetic mean is the average return over a period of time. It is calculated using

We have,

$$\text{Mean } (\bar{X}) = \frac{\sum X}{n}$$

Where,

$\sum X$  = sum of all data of a series

$N$  = No. of all items in a series

$\bar{X}$  = Value of variables

### **Standard deviation**

In statistics, the standard deviation (SD) is a metric used to express the variance or dispersion of a set of data values. A low standard deviation suggests that the data points are more likely to be near the set's mean, sometimes referred to as the expected value, whereas a large standard deviation suggests that the data points span a wider range of values. The standard deviation of the mean (SD) is the most widely used metric for calculating the dispersion of values within a distribution. In other words, a

low SD denotes a high degree of value similarity, whereas a high SD denotes a very low level. SD gives the precise value between two numbers.

$$\sigma = \sqrt{\frac{\sum(X-\bar{X})^2}{n}}$$

Where,

$\sigma$  = Standard deviation

$\sum(X - \bar{X})^2$  = Sum of the square of mean deviation

n = No. of observation

### **Correlation**

The study of the link between multiple variables, represented by the letter "r," is known as correlation analysis. It is the process of determining the connections between the variables in two different sets of data. Put another way, correlation describes appropriate statistical techniques for locating, measuring, and presenting a quantitative relationship within a belief system. The data may be related in a way that is positive or negative. It can be found using a variety of techniques, such as graphical and mathematical methods.

When both variables move up or down in the same proportion, it is referred to as a positive correlation; when the opposite happens, it is referred to as a negative correlation. The main outcome of a correlation is the correlation coefficient, sometimes known as "r". It ranges from -1.0 to +1.0. The closer r is to +1 or -1, the stronger the correlation between the two variables; if r is close to 0, there is no link at all. If r is positive, it means that the two variables get bigger together. An "inverse" correlation, where one increases while the other drops, is shown when r is negative. Finding out whether certain factors are associated with one another during the examination is the main goal of this study.

Karl Pearson's analysis of correlation coefficients

Karl Pearson's coefficient of correlation is a widely used mathematical method that uses a numerical expression to ascertain the direction and degree of a relationship between linearly related variables. There are other mathematical methods for determining correlation; however, Karl Pearson's well-known In practical situations, the Pearson's coefficient of correlation is widely utilized to determine the degree of

association between two variables. Two variables are said to be correlated when changes in one are accompanied by changes in the other's value. It is therefore computed using the subsequent formula, which calls for two variables. "Small 'r' represents it."

$$r = \frac{n \sum XY - \sum X \cdot \sum Y}{\sqrt{\{n \sum X^2 - (\sum X)^2\} \cdot \{n \sum Y^2 - (\sum Y)^2\}}}$$

Where,

r = coefficient of correlation

$\sum XY$  = Sum of product of two series.

$\sum X^2$  = Sum of squared in X series

$\sum Y^2$  = Sum of squared in Y series

The coefficient of correlation (r) value is consistently within the range of  $\pm 1$ . For example,  $r=+1$  denotes perfect positive correlation.

$r=+1$ , perfect positive correlation

$r=-1$ , perfect negative correlation

$r=0$ , no correlation

### **Coefficient of Determination ( $r^2$ )**

The square of several correlation coefficients is known as the coefficient of multiple determinations, or  $r^2$ . It is useful because it makes clear how much of the variance in the dependent variable is caused by or explained by the relationship between the independent and dependent variables.

### **Regression Analysis**

By estimating an approximate functional relationship between variables, a statistical method called regression is utilized to examine relationships between them. For determining the strength of a relationship between two or more variables (simple regression) or more (multiple regression), it is considered to be a helpful tool. It is simpler to anticipate or estimate the value of one variable when the values of the other variables are known. The multiple regressions model has the following form:

#### **The Model**

The independent factors to be examined to look at the deposit mobilization of commercial banks include Banke & Yitayaw (2022), Tarekegn et al. (2018), Islam et al. (2019), and Bhattarai (2019) in the Nepalese context, according to the results of

the literature review. By constructing a particular research model, the study looks at the relationship between deposits and the deposit interest rate (DIR), loan to deposit ratio (LTD), return on assets (ROA), gross domestic product (GDP), and inflation rate (IR). The regression model can be phrased as follows to explain how certain macroeconomic variables, such as the inflation rate and gross domestic product, and bank-specific variables, such as deposit interest rate, loan to deposit ratio, and return on assets, affect deposit mobilization:

$$TD_{it} = \beta_0 + \beta_1 DIR_{it} + \beta_2 LTD_{it} + \beta_3 ROA_{it} + \beta_4 GDP_{it} + \beta_5 IR_{it} + \varepsilon_{it} \dots \dots \dots (I)$$

Where,

$TD_{it}$  = Total deposit amount of bank i for the time period t

$DIR_{it}$  = Deposit Interest Rate for time period t

$LTD_{it}$  = Loan to Deposit Ratio for time period t

$ROA_{it}$  = Return on Assets for time period t

$GDP_{it}$  = Gross Domestic Product for time period t

$IR_{it}$  = Inflation Rate for time period t

$\varepsilon_{it}$  = Error term

$\beta_0$  = Constant

The variables  $TD_{it}$  and  $DIR_{it}$  represent the total deposit amount of bank i for the time period t, deposit interest rate for the same period, loan to deposit ratio for the same period, and return on assets for the same period.  $t GDP_{it}$  = Gross Domestic Product for the given time period t  $IR_{it}$  = Inflation Rate for the same period t  $\varepsilon_{it}$  = Error term

## CHAPTER- IV

### RESULTS AND DISCUSSION

The examination of the quantitative data found in the previous chapter is presented in this chapter. There are five portions in it. The situation of variables is presented in the first part. In order to shed light on the distribution of the data by bank and over time, the second section uses tables to give a descriptive analysis of the dependent and independent variables. The results of the correlation study between the independent and dependent variables are shown in Section 3. The regression analysis results are shown in the fourth section, and a discussion of the results is offered in the fifth section.

#### 4.1 Situation of variables

##### 4.1.1 Situation of total deposit

The sum of all funds in a bank's checking, savings, and other deposit accounts is referred to as its total deposits. A crucial indicator of a bank's stability and financial health is its total deposit base. A bank's total deposits typically indicate an expanding customer base and growing customer trust.

**Table 3**

*Situation of Total Deposit*

Fiscal year	Kumari Bank Ltd.	Everest Bank Ltd.	NIC Asia Bank Ltd.	Global IME Bank Ltd.	Nabil Bank Ltd.
2013-14	2.52	4.93	2.63	2.98	4.09
2014-15	3.05	6.6	3.13	3.43	5.65
2015-16	3.46	7.45	4.07	4.25	5.98
2016-17	4.75	7.55	5.13	5.8	6.45
2017-18	6.36	9.25	8.85	6.07	7.31
2018-19	7.7	10.34	10.57	7.09	8.84
2019-20	11.34	11.5	12.35	12.91	10.35
2020-21	14.35	12.78	17.58	16.14	12.12
2021-22	16.7	13.78	17.27	16.32	17.69
2022-23	29.78	15.82	18.4	25.02	21.52

According to data in Table 3, there was a consistent growth from 2.52% in 2013–14 to 29.78% in 2022–2023 at Kumari Bank Limited. Everest Bank Limited increased its percentage gradually between 2013–14 and 2022–2023 (4.93%–15.82%). A significant peak was seen in the NIC Asia bank's restricted progressive growth from 2.63% in 2013–14 to 18.4% in 2022–2023. Global IME Bank limited had a slow but steady gain in 2019–20, with a notable spike from 2.98% in 2013–14 to 25.02% in 2022–2023. Nabil Bank saw a gradual rise that culminated in a recent upsurge, rising from 4.09% in 2013–14 to 21.52% in 2022–2023. Over the course of the 10 years, the deposit rates of all five banks have increased steadily. The rise in recent years has been especially noticeable. The most notable rise is seen by Kumari Bank Limited.

#### 4.1.2 Situation of deposit interest rate

The percentage of interest that is paid to depositors on the funds they have deposited is known as the bank's deposit interest rate. Customers are encouraged to keep their money in savings, fixed-deposit, and other accounts by it. The bank can increase the amount of money it has available for lending and investing by attracting more deposits with higher interest rates.

**Table 4**

#### *Situation of Deposit Interest Rate*

Fiscal year	Kumari Bank Ltd.	Everest Bank Ltd.	NIC Asia Bank Ltd.	Global IME Bank Ltd.	Nabil Bank Ltd.
2013-14	5.71	3.61	5.99	4.74	2.69
2014-15	4.47	2.52	5.12	4.21	2.56
2015-16	4	1.93	4.41	3.06	1.65
2016-17	4.51	3.13	5.61	4.24	2.15
2017-18	6.85	4.45	6.53	7.26	4.04
2018-19	7.3	5.53	6.71	7.18	4.96
2019-20	5.64	5.93	6.21	6.99	5.39
2020-21	4.79	4.62	4.81	4.92	4.35
2021-22	6.63	5.79	7.41	6.59	5.77
2022-23	7.88	7.39	8.39	8.3	7.84

Data presented in table 4, shows that, the interest rate at Kumari Bank Limited fluctuated over time, reaching a peak of 7.88% in 2022-23 after a noticeable rise between 2017-18 and 2018-19. The lowest rate was 4.0% from 2015 to 2016. The Everest Bank Limited interest rate was relatively low in the beginning, falling to 1.93 percent between 2015 and 2016. The last two years have seen a significant rise, reaching 7.39 percent in 2022-23. The interest rates at NIC Asia Bank Limited fluctuate with some regularity. Peaked in 2022-23 at 8.39 percent. Global IME bank limited interest rates have been rising over time, reaching a peak of 8.30 percent in 2022 and 2023. Significant rise from 2015 to 2018 Nabil bank limited began with relatively low rates, the lowest of which was 1.65 percent between 2015 and 2016. Significant rise in the years to come, reaching 7.84 percent in 2022 and 2023. The interest rates offered by NIC Asia bank limited were consistently higher than those offered by other banks. Nabil Bank Limited's interest rates were the lowest they had been in several years, but they have increased significantly in recent years. Interest rates at Global IME bank limited and Kumari bank limited have gone up significantly over time, particularly in recent years. After having the lowest rates in previous years, Everest bank limited has demonstrated a significant rise over the past few years.

#### **4.1.3 Situation of loan to deposit ratio**

A financial indicator called the loan-to-deposit ratio is used by banks to evaluate their liquidity by comparing the total amount of loans made to the total amount of deposits. The ratio sheds light on a bank's ability to effectively manage its deposit base and lending operations. An elevated loan-to-deposit ratio signifies that the bank is disbursing a greater proportion of its deposits, perhaps signifying enhanced profitability at the expense of elevated risk. On the other hand, a lower loan to deposit ratio suggests that the bank is keeping a bigger percentage of its deposits in reserve, which might mean lesser profitability but also more liquidity and reduced risk. In order to strike a balance between the demand for profitability and the requirement to retain enough liquidity, banks strive to maintain an appropriate LDR

**Table 5***Situation of Loan to Deposit Ratio*

Fiscal year	Kumari Bank Ltd.	Everest Bank Ltd.	NIC Asia Bank Ltd.	Global IME Bank Ltd.	Nabil Bank Ltd.
2013-14	82.71	75.06	82.93	82.27	74.55
2014-15	81	69.47	81.03	83.47	64.43
2015-16	79.34	76.24	85.62	81.47	70.49
2016-17	87.6	76.94	83.7	79.3	65.38
2017-18	89.55	75.98	86.3	84.7	82.66
2018-19	90.11	87.01	84.55	91.62	81.96
2019-20	92.19	83.52	85.75	88.25	79.72
2020-21	90.99	85.3	87.58	85.59	89.84
2021-22	86.58	90.77	89.85	94.99	92.49
2022-23	86.03	85.7	86.17	85.21	84.19

Data presented in table 5, shows that, the loan to deposit ratio of Kumari Bank Limited remained high and comparatively steady. In general, the ratio grew with time, reaching a peak in 2019–20 and then somewhat falling but still being high after that. Everest Bank Limited saw substantial fluctuations, including a large decline in 2014–15 and a slow rebound. Reached its peak in 2021–2022 and then began to modestly decline in 2022–2023. NIC Asia Bank Limited has a consistent loan-to-deposit ratio with just slight variations. Over time, the ratio typically increased, demonstrating steady performance. Global IME Bank Limited had an upward trend that peaked in 2021–2022 and then saw a minor decline in 2022–2023. Later years had higher fluctuations in the ratio, suggesting some unpredictability. Of all the banks, Nabil Bank Limited underwent the most volatility. The ratio fell dramatically between 2014 and 2015.

**4.1.4 Situation of return on assets**

To assess a bank's profitability in relation to its total assets, one important financial indicator is return on assets, or ROA. It is computed by dividing net income by total assets of the bank. Because it sheds light on the bank's operational performance and

profitability, this statistic is critical for analysts and investors alike. Comparing the performance of banks in the same sector or business is very crucial.

**Table 6**

*Situation of Return on Assets*

Fiscal year	Kumari Bank Ltd.	Everest Bank Ltd.	NIC Asia Bank Ltd.	Global IME Bank Ltd.	Nabil Bank Ltd.
2013-14	1.1	2.25	1.71	1.62	2.65
2014-15	0.99	1.85	1.21	1.39	2.06
2015-16	1.72	1.61	1.51	1.58	2.32
2016-17	1.12	1.72	1.64	1.75	2.69
2017-18	1.27	1.97	0.97	1.67	2.61
2018-19	1.17	1.94	1.56	1.82	2.11
2019-20	0.76	1.42	1.32	1.06	1.58
2020-21	1.04	0.89	1.09	1.2	1.71
2021-22	1.22	1.13	1.2	1.38	1.2
2022-23	0.14	1.41	1.23	1.3	1.42

Data presented in table 6, shows that, the return on assets (ROA) for Kumari Bank Limited has varied over time, with a notable decline in 2022–2023. With occasional fluctuation, Everest Bank Limited usually keeps a reasonable return on assets. With peaks and troughs, NIC Asia Bank Limited exhibits fluctuation before stabilizing in recent years. Over time, Global IME Bank Limited has demonstrated stability by consistently maintaining a moderate to high return on assets. The return on assets (ROA) of Nabil Bank Limited is normally better than that of its competitors, it has been declining recently. In previous years, Nabil Bank Ltd. continuously outperformed its competitors in terms of ROA; however, this trend has lately declined. Over time, Global IME Bank Ltd.'s ROA has been comparatively consistent. The ROAs of NIC Asia Bank Ltd. and Kumari Bank Ltd. are more erratic.

#### 4.1.5 Situation of Gross domestic product

A crucial economic indicator, Gross Domestic Product (GDP) measures the total value of all goods and services produced within a nation's borders over a predetermined time frame, typically a year or a quarter. It shows how well a country's economy is doing and how healthy it is. GDP is frequently used to compare the economic performance of various nations or to track a nation's economic growth over time.

**Table 7**

*Situation of Gross Domestic Product*

year	
2013-14	5.7
2014-15	3.5
2015-16	0
2016-17	8.6
2017-18	7.4
2018-19	6.4
2019-20	-2.4
2020-21	4.5
2021-22	5.3
2022-23	2.2

According to the table 7, over time, the GDP growth rates fluctuate significantly. Economic instability with periods of high growth and contraction is indicated by these variations. The highest GDP growth rate was 8.6% from 2016 to 2017, indicating a robust economic expansion. The lowest GDP growth rate was recorded in 2019–20, at -2.4%, indicating a period of economic contraction. This could be brought about by disruptions or external factors like the state of the global economy or domestic policies. The GDP growth rate returned to 4.5 percent in 2020-21 and 5.3% in 2021-22 following the negative growth in 2019-20. This suggests that the economy is able to recover from a downturn. The GDP growth rate decreased to 2.2 percent in the most recent year (2022-23).

#### 4.1.6 Situation of inflation rate

The percentage change in prices of goods and services over time is measured by an inflation rate, which is usually computed yearly. It illustrates how a currency's declining buying power affects both the cost of living for people and the operational expenses of enterprises. In order to preserve economic stability, central banks keep an eye on and control inflation. They strive for reasonable rates that promote growth without having the unfavorable consequence of causing deflation or hyperinflation.

**Table 8**

*Situation of Inflation Rate*

year	Inflation rate
2013-14	9.1
2014-15	7.2
2015-16	9.9
2016-17	4.5
2017-18	4.2
2018-19	4.6
2019-20	6.15
2020-21	3.6
2021-22	6.32
2022-23	7.74

According to the table 8, over the years, there have been times of both growth and decline in inflation rates. With the exception of two years, 2015–16 and 2022–23, when inflation skyrocketed, there has been a general pattern of moderate to low inflation in recent years. Periods of significant inflation, as those in 2015–16 and 2022–2023 (9.9% and 7.74%, respectively), point to possible economic difficulties and greater expenses for both consumers and companies. The range of inflation rates from 2017–18 to 2020–21 is comparatively constant, suggesting a period of either regulated inflation or economic stability. But the recent spike in inflation from 2019–20 (6.15%) to 2022–2023 (77.74%) suggests that inflationary pressures may be beginning to build. Excessive inflation can reduce buying power, which affects

consumer savings and consumption. Although typically a good thing, too low inflation runs the danger of causing deflation or economic stagnation

#### 4.2 Descriptive analysis

In descriptive analysis, descriptive statistical techniques such as mean, standard deviation, minimum and maximum value are employed. Among them were the independent and dependent variables. Total deposits were used as the dependent variable in the study, and the explanatory variables were the inflation rate, loan to deposit ratio, return on assets, deposit interest rate, and gross domestic product.

**Table 9**

*Summary of Descriptive Statistics*

	N	Minimum	Maximum	Mean	Std. Deviation
Total deposit	50	27578.0	439349.0	153245.520	99655.2023
Deposit interest rate	50	1.65	8.39	5.2552	1.73009
Loan to deposit ratio	50	64.43	94.99	83.3630	6.67508
Return on assets	50	.14	2.69	1.5056	.49446
Gross domestic product	50	-2.4	8.6	4.120	3.2516
Inflation rate	50	3.60	9.90	6.3310	2.05850

*Source:* SPSS 22 software

Table 9 shows that, over the sample period, the minimum and greatest total deposit amounts made by Nepalese sample banks are Rs. 27578.0 and Rs. 439349.0 million, respectively. The average figure of Rs. 153245.520 million shows that, over the course of the sample period, commercial banks' total deposits were sufficient. The mean is equal to 99655.2023 million. It is evident that the amount of bank deposits mobilized ranges from Rs. 27578.0 to Rs. 439349.0 million.

The interest rate on deposits ranges from 1.65 percent at minimum to 8.39 percent at highest, with an average of 5.2552 percent. The standard deviation is 1.73 %.

With an average of 83.3630 percent, the loan to deposit ratio ranges from a minimum of 64.43 percent to a maximum of 94.99 percent. There is 6.67508 percent standard deviation. The asset return is 1.5056 percent on average. The greatest return on assets is 2.69 percent, and the minimum is 0.14 percent. The % standard deviation is 0.49446. With a lowest value of -2.4 percent and a maximum value of 8.6 percent, the average gross domestic product is 4.120 percent. The 3.2516 percent standard deviation is used. With a minimum value of 3.6 percent and a maximum value of 9.90 percent, the average inflation rate is 6.3310 percent. The sample mean is 2.05850 percent.

### 4.3 Correlation analysis

The presence and strength of a relationship between two variables can be shown using a statistical technique called correlation. Like all statistical techniques, correlation is limited to usage with specific types of data. Correlation is effective for quantifiable data with meaningful numbers, usually quantities of some form. The main outcome of a correlation is the correlation coefficient, sometimes known as "r". It ranges from -1.0 to +1.0. The closer r is to +1 or -1, the greater the link between the two variables. The bank calculates the correlation coefficient using a variety of techniques, including Karl Pearson's Method. It is the most often used and practical tool for figuring out how X and Y are related.

**Table 10**

*Correlation Matrix of Study Variables (N=50)*

	TD	DIR	LTD	ROA	GDP	IR
TD	1					
DIR	.556**	1				
LTD	.390**	.712**	1			
ROA	-.337*	-.574**	-.639**	1		
GDP	-0.1913	-0.0296	-0.0152	0.25886	1	
IR	-0.1732	-0.193	-.316*	0.09243	-.497**	1
** . Correlation is significant at the 0.01 level (2-tailed).						
* . Correlation is significant at the 0.05 level (2-tailed).						

Source: SPSS 22 software

Table 10's data demonstrates the correlation coefficient. We consider the total deposit to be the dependent variable in our correlation matrix. To display the link between the variables, Person's correlation model is employed. The outcome demonstrates a favorable correlation between the loan to deposit ratio and the deposit interest rate as well as the total deposit. This suggests that the loan to deposit ratio and deposit interest rate have a tendency to move in tandem with the total deposit (TD). It implies that the total amount of deposits for the year would be higher the higher the deposit interest rate and loan to deposit ratio, and vice versa. Similarly, the total deposit has a negative relationship with the GDP, inflation rate, and return on assets. This suggests that, in contrast to return on assets, GDP, and inflation rate, total deposits (TD) tend to move in the opposite way. It implies that a rise in the GDP, inflation rate, and return on assets causes a fall in total deposits and vice versa. It was discovered that there was no multicollinearity among the independent variables because all correlation coefficients were less than 0.7.

Table 10 above demonstrated that none of the explanatory variables in the model exhibit any indications of multicollinearity, because the variance inflation factor, or mean VIF, is below 10. According to Gujarati (2003), there is no issue with multicollinearity in the explanatory variables chosen to explain the factors influencing deposit mobilization at several Nepalese commercial banks.

#### **4.4 Results of regression analysis**

A multiple linear regression model is utilized to investigate the effects of macroeconomic and bank-specific factors on the total deposit of a chosen commercial bank in Nepal. The data used for the analysis came from the yearly financial reports of each chosen commercial bank in Nepal, as well as from Nepal Rastra Bank's (NRB) economic indicators, financial stability reports, and bulletins on financial stability. With SPSS 22 software, the relationship between one dependent variable and five independent factors was regressed. To determine the statistically significant variables of a particular commercial bank's total deposit, a multiple linear regression model was employed.

**Table 11***Regression Results*

Dependent Variable: Total Deposit

Variables	Coefficients	Std. Error	T-Value	P-Value
(Constant)	21.119	15.539	1.359	0.181
Deposit interest rate	1.863	0.593	3.140	0.003
Loan to deposit ratio	-0.130	0.171	-0.763	0.450
Return on assets	-2.458	2.001	-1.228	0.226
Gross domestic product	-0.482	0.266	-1.809	0.077
Inflation rate	-0.688	0.424	-1.623	0.112
No. of observation= 50, R Square= 0.434, Adjusted R Square= 0.369, F-Value= 6.735, F (sig)= 0.000				

*Source: SPSS 22 software*

$$TD_{it} = \beta_0 + \beta_1 DIR_{it} + \beta_2 LTD_{it} + \beta_3 ROA_{it} + \beta_4 GDP_{it} + \beta_5 IR_{it} + \varepsilon_{it}$$

Table 11's data demonstrates the model's regression outcomes. The model considers total deposit (TD) as the dependent variable, and the explanatory variables include the inflation rate (IR), return on assets (ROA), loan to deposit ratio (LTD), deposit interest rate (DIR), and gross domestic product (GDP).

A statistically significant correlation (Sig.  $\leq$  0.01, 0.05, or 0.10) has been found between the total deposit and the explanatory variables in the model. The independent variables stated in the equation account for 43.4 percent of the variation in the value of the total deposit, according to the R-square value of 0.434. The adjusted R-square value is 0.369, meaning that the independent variable is 36.9% connected to the dependent variable overall on an adjusted basis. This indicates that the explanatory factors account for 36.9% of the variation in the total deposit value. Similar to this, a linear relationship between the model's variables and their substantial influence on deposit behavior are indicated by the Fishers ratio (also known as the F value), which is 6.735, and the p-value, or F (sig.), which is equal to 0.000.

Regression coefficients represent how sensitive each explanatory variable is. It illustrates the degree to which explanatory variables affect banks' deposit mobilization. With a total deposit that is comparable to the priori expectation, the beta coefficient of the deposit interest rate, or DIR, is positive. In this case, the deposit

interest rate (DIR) has statistical significance. Contrary to presumptive assumptions, the GDP (gross domestic product) beta coefficient is negative but statistically significant with a deposit. In this case, the deposit defies prior expectations as evidenced by the negative and statistically negligible beta coefficients of the loan to deposit ratio (LTD), return on assets (ROA), and inflation rate (IR). The findings indicate that GDP is significant at the 10 percent significance level while DIR is significant at the 5 percent significance level.

**Table 12**

*Hypothesis Summary*

<b>Variables</b>	<b>Expected Sign</b>	<b>Actual Results</b>	<b>Significance/Non Significance</b>	<b>Hypothesis Accepted/Rejected</b>
<b>Banks Specific</b>				
DIR	+	+	Sig.	Accepted (H1)
LTD	+	-	Non Sig.	Rejected (H2)
ROA	+	-	Non Sig.	Rejected (H3)
<b>Macroeconomics Specific</b>				
GDP	+	-	Sig.	Accepted (H4)
IR	+	-	Non Sig.	Rejected (H5)

#### 4.5 Discussion

The model's results show that the deposit interest rate has a positive and statistically significant impact on total deposit. Holding all other variables fixed, a rise of one percent in a bank's deposit interest rate will result in a 1.863 increase in total deposit. In contrast to the findings of Bhattarai (2019), Islam et al. (2019), Tafa & Worku (2022), and Ambe (2017), which found a negative relationship between bank deposit and deposit interest rate, Gunasekara & Kumari (2018) stated that there is a significant and positive relationship between deposit mobilization and deposit interest rate.

According to the study's findings, the loan-to-deposit ratio, which gauges bank liquidity, has a negative and statistically negligible effect on total deposits. In contrast to the findings of Ünvan & Yakubu (2020), Tafa & Worku (2022), Agegneu & Gujral (2022), which found a positive and significant impact of bank liquidity on bank deposits, this finding is supported by Islam et al. (2019); Tarekegn et al. (2018); Banke & Yitayaw (2022), who found a negative impact of bank liquidity on bank deposits. Ünvan & Yakubu (2020); Tarekegn et al. (2018); Banke & Yitayaw (2022); Alemu (2021); Tafa & Worku (2022); Bogale et al. (2021); Agegneu & Gujral (2022) found that the return on assets had a positive and statistically significant impact on bank deposit. In contrast, the return on assets has a negative and statistically insignificant impact on bank deposit. The study's findings demonstrate that, at the 10% significance level, the gross domestic product has a statistically significant negative impact on total deposit. In contrast to the findings of Tun (2019), Bhattarai (2019), Azolibe (2019), Tafa & Worku (2022), Abiodun et al. (2021), Agegneu & Gujral (2022), and others, which found that gross domestic product has a positive and statistically significant impact on total deposit, this finding is supported by Banke & Yitayaw (2022); Islam, et al. (2019); and others. The study's findings demonstrate that the overall deposit is negatively and statistically insignificantly impacted by inflation. Inflation has a negative and statistically insignificant effect on total deposit, according to research by Ünvan & Yakubu (2020), Bhattarai (2019), Banke & Yitayaw (2022), Islam et al. (2019), Alemu (2021), Azolibe (2019), Bogale et al. (2021), Abiodun et al. (2021), Agegneu & Gujral (2022).

## CHAPTER – V

### SUMMARY AND CONCLUSION

#### 5.1 Summary

One of the most important tasks for Nepal's commercial banks, deposit mobilization is vital to their continued existence. Therefore, it's critical to determine the main variables influencing it. The banking industry is one of Nepal's fastest-growing sectors and is crucial to the country's economic growth. Bank deposits might be regarded as the most significant factor influencing Nepal's economic development because they are essential to the process of investment. In order to meet the financial needs of its clients, banks must mobilize and amass a sufficient number of deposits. The study focused on macroeconomic and bank-specific parameters to ascertain how commercial banks mobilize deposits. Therefore, the purpose of this topic study was to identify additional characteristics that promote the mitigation of macroeconomic and bank-specific risks and enhance deposit quality in Nepalese commercial banks. This study's main goal is to examine how macroeconomic and bank-specific factors affect Nepali commercial banks' ability to mobilize deposits.

Based on a sample of five commercial banks in Nepal, the current study has examined macroeconomic and bank-specific factors influencing the total deposit of commercial banks in Nepal during a ten-year period, from 2013–14 to 2022–23. The 50 observations that make up the secondary data used in this investigation. The information was gathered from the annual reports of the relevant banks, as well as from Nepal Rastra Bank's (NRB) economic bulletin, financial stability reports, and economic indicators. A descriptive, correlational, and casual comparative study design were used to present and analyze the data. The independent variables include macroeconomic (gross domestic product, inflation rate) and bank-specific (deposit interest rate, loan to deposit ratio, return on assets). The dependent variable is the total deposit, which has been expressed in terms of TD. Multiple regression approaches from SPSS-22 Version have been used to evaluate the link between total deposit and deposit interest rate, loan to deposit ratio, return on assets, gross domestic product, and inflation rate.

The average values of the following descriptive statistics variables are given: gross domestic product, inflation rate, loan to deposit ratio, total deposit, interest rate on deposit, return on assets, and 5.2552 percent, 8.3.3630 percent, 1.5056 percent, 4.120

percent, and 6.3310 percent, respectively. The independent variables stated in the equation account for 43.4 percent of the variation in the value of the total deposit, according to the R-square value of 0.434. The coefficient values for the following variables are as follows: 1.863, -0.130, -2.458, -0.482, -0.688 for the deposit interest rate, loan to deposit ratio, return on assets, and gross domestic product, respectively.

## 5.2 Conclusion

The descriptive statistics show notable variation in important financial variables, pointing to different economic circumstances in the sample. The vast variety of total deposits highlights significant variations in deposit amounts. Even though they occasionally fluctuate, deposit interest rates are often centered around the mean, indicating a fairly stable interest rate environment. The loan to deposit ratio is constantly high, which is indicative of a widespread habit of keeping loans large in comparison to deposits. Although it fluctuates somewhat, return on assets is generally low, indicating that asset profitability is restricted. The wide variations in GDP growth rates indicate unstable or varying economic conditions within the sample. Lastly, there is some variety in the inflation rates, suggesting that there are different inflationary forces.

The outcome demonstrates a favorable correlation between the loan to deposit ratio and the deposit interest rate as well as the total deposit. ..Similarly, the total deposit has a negative relationship with the GDP, inflation rate, and return on assets.

To sum up, at a five percent significance level, the deposit interest rate has a positive and statistically significant impact on the total amount of deposits in the bank. This suggests that the deposit interest rate and total deposit (TD) have a tendency to move in tandem. At the 10% significance level, the gross domestic product shows a statistically significant negative correlation with total deposit. On the total deposit of banks, the loan to deposit ratio, the return on assets, and the inflation rate have a negative and statistically negligible impact. This suggests that, in line with the loan to deposit ratio, return on assets, GDP, and inflation rate, the total deposit (TD) tends to move in the opposite way. It implies that a rise in the loan-to-deposit ratio, return on assets, GDP, and inflation rate causes deposits to fall, and vice versa.

### **5.3 Implications**

#### **Implications to policy makers**

Central banks should think about how shifting interest rates will affect savings and overall financial stability. Policies that offer favorable deposit interest rates have the power to greatly enhance results. Regulations that make sure banks maintain healthy loan-to-deposit ratios can assure liquidity and prevent banks from taking on excessive risk. Examples of this include capital adequacy standards and stress tests. Create rules that track how financial variables are affected by consistent economic growth. Economic policies that support growth and maintain equilibrium while preventing excessive inflation or financial instability are crucial. To keep inflation under control, effective monetary policies must be put in place. Financial variables may be negatively impacted by inflation; however, this impact can be mitigated with the use of instruments including interest rate changes, open market operations, and inflation targeting. Financial institutions should be encouraged to optimize asset utilization through the use of policies that promote efficiency, innovation, and responsible risk-taking. Rewarding new technology adoption and operational enhancements might be advantageous.

#### **Implications to practitioners**

Given its significant significance, practitioners should carefully design their deposit interest rate tactics to maximize advantages. This can entail finding a balance between competitive rates in order to draw deposits and keep costs under control. Even when economic metrics like GDP and inflation lack statistical significance, it's nevertheless necessary to monitor them since they may have an indirect impact on financial performance. It is imperative that practitioners develop strategies targeted at mitigating the risks associated with interest rate and macroeconomic volatility. These strategies could involve hedging against inflation and diversifying your investments. Efforts to boost return on assets should continue even if the variable in issue did not demonstrate statistical significance in the model, with a focus on operational effectiveness and effective asset management in particular.

#### **Implications to academic community**

This study has primarily focused on a few macroeconomic and bank-specific deposit mobilization factors using data from ten years of annual financial stability reports, economic bulletins, and indicators published by Nepal Rastra Bank (NRB), as well as

a sample of five randomly chosen commercial banks in Nepal. The information gathered between 2013–14 and 2022–23. The study's researcher suggested the following for upcoming researchers who wish to investigate this subject further.

The study suggests examining the relationship between mobilization and the money supply, unemployment rate, literacy rate, and other qualitative factors. Gather all of the information needed for the target group of the study, which consists of all commercial banks in Nepal. Use more sophisticated tools and research models for their regression analysis.

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## Appendix I

### 1. Total deposit (in million)

Fiscal year	Kumari bank ltd.	Everest bank ltd.	NIC Asia bank ltd.	Global IME bank ltd.	Nabil bank ltd.
2013-14	27578	62108	44984	52292	75389
2014-15	33422	83093	53477	60176	104238
2015-16	37950	93735	69488	74683	110267
2016-17	52037	95094	87678	101910	118896
2017-18	69651	116427	151219	106510	134811
2018-19	84403	130177	180531	124499	162954
2019-20	124220	144728	210843	226643	190806
2020-21	157178	160899	300252	283349	223474
2021-22	182962	173472	294977	286560	326222
2022-23	326283	199227	314312	439349	396843

Source: Sample banks annual reports

## Appendix II

### 2. Total deposit (in %)

Fiscal year	Kumari bank ltd.	Everest bank ltd.	NIC Asia bank ltd.	Global IME bank ltd.	Nabil bank ltd.
2013-14	2.52	4.93	2.63	2.98	4.09
2014-15	3.05	6.6	3.13	3.43	5.65
2015-16	3.46	7.45	4.07	4.25	5.98
2016-17	4.75	7.55	5.13	5.8	6.45
2017-18	6.36	9.25	8.85	6.07	7.31
2018-19	7.7	10.34	10.57	7.09	8.84
2019-20	11.34	11.5	12.35	12.91	10.35
2020-21	14.35	12.78	17.58	16.14	12.12
2021-22	16.7	13.78	17.27	16.32	17.69
2022-23	29.78	15.82	18.4	25.02	21.52

Source: Sample banks annual reports

### Appendix III

#### 3. Deposit interest rate (%)

Fiscal year	Kumari bank ltd.	Everest bank ltd.	NIC Asia bank ltd.	Global IME bank ltd.	Nabil bank ltd.
2013-14	5.71	3.61	5.99	4.74	2.69
2014-15	4.47	2.52	5.12	4.21	2.56
2015-16	4	1.93	4.41	3.06	1.65
2016-17	4.51	3.13	5.61	4.24	2.15
2017-18	6.85	4.45	6.53	7.26	4.04
2018-19	7.3	5.53	6.71	7.18	4.96
2019-20	5.64	5.93	6.21	6.99	5.39
2020-21	4.79	4.62	4.81	4.92	4.35
2021-22	6.63	5.79	7.41	6.59	5.77
2022-23	7.88	7.39	8.39	8.3	7.84

Source: Sample banks annual reports

### Appendix IV

#### 4. Loan to deposit ratio (%)

Fiscal year	Kumari bank ltd.	Everest bank ltd.	NIC Asia bank ltd.	Global IME bank ltd.	Nabil bank ltd.
2013-14	82.71	75.06	82.93	82.27	74.55
2014-15	81	69.47	81.03	83.47	64.43
2015-16	79.34	76.24	85.62	81.47	70.49
2016-17	87.6	76.94	83.7	79.3	65.38
2017-18	89.55	75.98	86.3	84.7	82.66
2018-19	90.11	87.01	84.55	91.62	81.96
2019-20	92.19	83.52	85.75	88.25	79.72
2020-21	90.99	85.3	87.58	85.59	89.84
2021-22	86.58	90.77	89.85	94.99	92.49
2022-23	86.03	85.7	86.17	85.21	84.19

Source: Sample banks annual reports

## Appendix V

### 5. Return on assets (%)

Fiscal year	Kumari bank ltd.	Everest bank ltd.	NIC Asia bank ltd.	Global IME bank ltd.	Nabil bank ltd.
2013-14	1.1	2.25	1.71	1.62	2.65
2014-15	0.99	1.85	1.21	1.39	2.06
2015-16	1.72	1.61	1.51	1.58	2.32
2016-17	1.12	1.72	1.64	1.75	2.69
2017-18	1.27	1.97	0.97	1.67	2.61
2018-19	1.17	1.94	1.56	1.82	2.11
2019-20	0.76	1.42	1.32	1.06	1.58
2020-21	1.04	0.89	1.09	1.2	1.71
2021-22	1.22	1.13	1.2	1.38	1.2
2022-23	0.14	1.41	1.23	1.3	1.42

Source: Sample banks annual reports

## Appendix VI

### 6. Gross domestic product (%)

year	Gross domestic product
2013-14	5.7
2014-15	3.5
2015-16	0
2016-17	8.6
2017-18	7.4
2018-19	6.4
2019-20	-2.4
2020-21	4.5
2021-22	5.3
2022-23	2.2

Source: Nepal Rastra Bank economic bulletin & indicators

## Appendix VII

### 7. Inflation rate (%)

year	Inflation rate
2013-14	9.1
2014-15	7.2
2015-16	9.9
2016-17	4.5
2017-18	4.2
2018-19	4.6
2019-20	6.15
2020-21	3.6
2021-22	6.32
2022-23	7.74

Source: Nepal Rastra Bank economic bulletin & indicators

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