Depositors' perception on performance in Nepalese commercial banks

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Abstract

This paper analyzes bank depositors' perception in relation to factors explaining performance of banks in Nepal. This study has applied descriptive and explorative research design to analyze factors affecting bank performance. A survey was made to collect data from bank depositors using structural questionnaire in Kathmandu valley in 2019. Survey result reveals that Nepalese depositors prefer to deposit money in commercial banks because of easy access but are not satisfied with e-banking services. Most of depositors have no ownership in banks and feel interest rate on deposits is less than expectations. Similarly, result shows that depositors prefer to deposit in saving account analyzing risk and feel government rules and regulations affect interest rates of banks. Further, result indicates banks' image and interest rate on deposits are key factors for bank deposits and performance, poor operating performance and lack of appropriate investment opportunities are reasons of low interest rate on bank savings. Finally, result concludes that use of modern technologies, size of deposits, market information, managerial efficiency, size of lending and deposits of banks are significant factors and size of debt capital and assets are weak factors affecting performance in Nepalese commercial banks.

Keywords : Performance, managerial efficiency, structure, liquidity, market information, deposits and lending.

Introduction

In modern competitive and globalized business age, banks have key role for smooth operation of business and economic activities. Sound and strong financial system mobilizes financial resources from unproductive sectors to productive sectors and helps to formulate capital and creates job opportunities which accelerate to lead economic growth of the nation. Banking sector acts as life blood for business sectors which supports for smooth operation of activities by generating and rendering required financial resources and services. This increasing phenomenon of globalization has made concept of efficiency more important both for non-financial and financial institutions and banks are important parts of them. Financial intermediation provided by banking sector supports economic acceleration by converting deposits into productive investments (Levine et al., 2000).

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During the last three decades, advancement in technology and globalized business has allowed banking sector to take advantages for the improvement in performance both for bank-oriented and market oriented countries. Both internal and external factors affect performance and earnings of banks. Efficiency Hypothesis states that more profitability of banks is not causes of collusive behavior, but it is reasons of high efficiency level. The high efficient bank leads to make better bank performance and has larger market shares (Demsetz, 1974).

Smirlock (1985) made empirical test of Efficiency Hypothesis and argued significant relationship between bank performance and market share. Naceur (2003) revealed and confirmed evidence of Efficient-Structure Hypothesis in the field of banking industry. Banks largely depend on competitive marketing strategy which determines their success and growth. Modalities of banking services have changed a lot in new millennium compared to the way they used to be in years bygone (Hussain, & Bhatti, 2010).

Bank performance is measured in different terms. But, in general, it is measured in terms of return on capital employed, net interest margin, return on assets, return on equity etc. Determinants of banks' performance are usually assorted into internal and external factors. Internal determinants are related factors such as deposits, loans, size, capital, loan loss provisions, liquidity, management efficiency etc. which are under the control of bank management. External determinants such as inflation, exchange rate, gross domestic product, etc. are macro-economic factors which affect bank performance and are beyond controlling power of banks' management. Thus, bank performance should be analyzed based on both internal and external determinants.

In Nepalese context, banking industry has undergone significant changes over past three decades. Nepal Rastra Bank as central bank undertook major changes in policy measures including interest rate, deregulation, indirect methods of monetary control and use of open market operations as main policy tool, abolishment of statutory provision of liquidity ratio, market based foreign system, flexible licensing policy and prudential legal framework (Pradhan, & Gajurel, 2010).

Commercial banks have dominant position in the financial system of Nepal. Total 27 commercial banks are providing various banking services and facilities to Nepalese government, social institutions, business sectors, general public etc. At present dynamism and globalization banking environment, Nepalese commercial banks are facing tremendous challenges for their survival, growth and profitability and in rendering service to bank depositors. The preponderance of prior empirical studies on bank performance carried out in developed and developing countries but a very few studies have been administered in developing countries and there is lacking in-depth studies in under-developing countries like Nepal. Therefore, this paper is an attempt to investigate depositors' perception on factors affecting performance of Nepalese commercial banks.

Objective of study

The main objective of the study is to analyze bank depositors' perception on factors affecting performance of commercial banks in Nepal.

This paper is structured into five sections. The first section deals with introduction of performance of commercial banks including objective of the study. Next section two briefly summarizes literature review of various previous theoretical and empirical studies about the factors affecting bank performance. Section three covers research methodology of this paper. Section four presents results and discussion of this study. Finally, section five concludes findings of this paper along with suggestion for further researches.

Literature review

Literature shows various theories of performance and profitability of banks which have been developed by different research scholars. Market Power hypothesis posits that performance of banks is influenced by market structure of industry. There are two distinct approaches with Market Power theory. First is Structure Conduct Performance (SCP) hypothesis and second is Relative Market Power (RMP) hypothesis.

Structure Conduct Performance approach argues that level of concentration in banking market rises potential market power of banks which may raise their performances. Structure Conduct Performance paradigm presupposes that higher banking industry concentration permits collusion of banks to set higher prices and consequently gain substantial profits (Mason, 1939; Heggested, 1977; Tregenna, 2009; Baye, 2010). The SCP theory suggests that performances of firms are determined by concentration level of market. Profits of firms operating in highly concentrated industries are significantly higher than the firms operating in industries with lower concentration. Banks operating in highly concentrated markets with more efficiency are able to make more abnormal profits because of their ability to deposit at lower rates and charge higher loan rates because of collusive reasons in comparison to the banks operating in less concentrated markets with less efficiency.

Market power (MP) hypothesis suggests that bank performance is influenced by market share. MP hypothesis assumes that only large banks with differentiated products can influence prices and increase performance and profitability. Most of prior studies show that firms which can exercise market power are able to earn more non-competitive profits with better performance. Berger (1995) revealed market power hypothesis and suggested that firms with large market shares with product differentiation are capable to exercise MP and are able to make more noncompetitive profits. Increase in number of firms in banking market increases market competition and higher concentration which leads to higher profits and long-run relationship exists between performance and market structure (Chirwa, 2003).

Efficiency Structure (ES) hypothesis posits that banks earn high profits with more efficiency than other banks. Higher profits or performances of banks are not the reasons of their collusive behavior but is the causes of high efficiency, which in turn, leads to larger market shares that

banks possess (Demsetz, 1974). ES hypothesis assumes market share as a proxy to efficiency and there is no association between market concentration and bank performance while there is significant relationship between bank performance and market share (Smirlock, 1985). There are two approaches of ES: X-efficiency hypothesis, and Scale-efficiency hypothesis.

X-efficiency hypothesis argues that more efficient firms are more profitable because of lower costs and larger market shares but without any causal relationship from concentration to profitability (Athanasoglou et al. 2006). Scale-efficiency hypothesis emphasizes economies of scale rather than differences in management or production technology. Larger firms can obtain lower unit costs and are able to make more profits because of economies of scale. As the result, larger firms are able to acquire market shares, which show the evidence of more concentration and high performance. Performance of banks is determined not by market concentration but by bank efficiency (Grygorenko, 2009).

In empirical study of bank performance, Bourke (1989) analyzed financial statements based pooled time series cross-section data using the regression model and revealed asset size, capital ratio, liquidity and gross domestic products have positive impact on bank performance but high risk loans have produced lower returns. Capital ratio and return on equity are positively related based on causality test in analysis of relationship between capital and earnings in banks (Berger, 1995). Asset size is positively related with net income before tax in assets based profitability, negatively related net profits after tax with capital based profitability, capital and liquidity are inversely related but loan and inflation are significantly positively related with bank performance in assessing factors influencing bank profitability using time series linear regression model (Guru et al., 1999).

Goddard et al. (2004) analyzed performance of banks using cross-sectional time series and dynamic panel model for regression analysis and stated that bank size has insignificant and weak impact but capital asset ratio has positive and significant impact on bank performance. Joint venture banks are well capitalized, quality of assets is on average, operating expenses ratio and earnings per employee of management quality are above industry average and management efficiency is healthy. Baral (2005) examined the relationship between bank characteristics and financial health of commercial banks using CAMEL framework and argued that financial health of joint venture banks is not so weak and banks have high level of liquidity which negatively affects in bank profitability.

In a multivariate analysis of financial characteristics of foreign and domestic banks, bank size, capital strength, gross domestic product and inflation have positive impact on bank performance; liquidity has positive effect on return on average assets but a negative effect on net interest margin in commercial banks' performance (Kosmidou et al., 2006). In fixed effect regression analysis, bank size and equity ratio have a negative impact on bank profitability whereas liquidity is positively related to profitability of domestic banks but negatively related to foreign banks where as gross domestic product and inflation have positive and significant impact on bank performance (Pasiouras, & Kosmidou, 2007).

Athanasoglou et al. (2008) examined effect of bank-specific, industry-specific and macroeconomic determinants on bank profitability by applying SCP hypothesis and documented that size has no significant impact but capital ratio, business cycle and inflation have positive and significant impact on profitability. Credit risk and operating expenses have negative impact but ownership and concentrations have insignificant impact on bank profitability. Pradhan, and Gajurel (2010) analyzed structured-performance relation in Nepalese banking industry using SCP and quit life hypothesis and argued traditional structure-conduct performance and quit life hypothesis to explain structure performance relation and weak support for efficiency structure hypothesis in Nepalese banking industry. Banks should enhance managerial efficiency to increase bank profitability to meet competition and favorable macroeconomic condition is essential for profitability of banks.

Results of pooled ordinary least square method show that bank size has positive impact on return on assets (ROA), return on equity (ROE) and return on capital employed (ROCE) but negative impact on net interest margin. Capital has negative impact on return on assets, equity and capital employed and net interest margin. Loan has positive impact on return on assets and net interest margin but inverse relation with return on equity whereas it has significant negative impact on return on capital employed. Deposit has significantly significant effect on ROA and ROE (Gul et al., 2011).

In linear regression model, Sufian (2011) observed lower liquidity tend to higher performance, credit risk and overhead costs have negative impact on performance, higher diversification regarding banks' income and other fee-based activities have positive effect and industry concentration has positive impact on bank performance. The result concludes that business cycle affects performance but Asian financial crisis has negative impact on bank performance. Ponce (2013) analyzed determinants of bank profitability using the generalized method of moments and stated that larger size of loans has higher profitability; high use of deposits and more efficiency lead more profitability; higher use of capital results higher profitability and no evidence of economies of scale in banking sector.

Azad and Saona (2018) examined effect of bank and country related drivers of bank performance of Asian countries using panel data applying multivariate regression models and revealed ownership structure and capital have significant impact on bank performance. Further, study shows negative impact of revenue diversification on net interest margin of banks and financial and regulatory structure of banks reduces the non-competitive performance of banks.

The prior theoretical and empirical studies have observed various factors that affect bank performance. Thus, this paper is an attempt to analyze bank depositors' perception on factors affecting deposit decisions and performance of Nepalese commercial banks.

Research methodology

Research design

This paper has applied descriptive and explorative research designs to analyze various factors influencing bank deposits and performance. The descriptive and explorative research designs are used to analyze the perception of bank depositors about various factors affecting bank deposits and performance in Nepalese commercial banks.

Nature and source of data

This paper is based on primary data sources. Data is collected to understand and analyze the view of bank depositors about bank performance. For this purpose, questionnaire survey was administered to collect views of bank depositors in relation to the performance of commercial banks in Nepal. A set of questionnaires were prepared to survey responses of bank depositors. Set of 500 questionnaires containing total of 18 questions were distributed to bank depositors of commercial banks in Kathmandu valley. There were five questions about respondent's profile excluding name of respondents, nine close-ends multiple choice option questions to tick mark in an appropriate option regarding bank performance, three ranking types of questions were asked to know which of variables are considered the most influencing factor for bank performance in Nepal. One question was designed in a five point Likert scale with 10 statements to identify degree of agreement or disagreement in relation to factors affecting bank performance. This paper has been administered during the period of June, July and August, 2019.

Population and sample

In this paper, individual depositors who have accounts in commercial banks licensed by NRB is considered as population. All together 500 questionnaires were distributed to bank depositors and only 387 were received in usable form which represents response rate of 77.4 percent. Thus, sample size of this study is 387. This paper covers those commercial banks which are involving in commercial trading and required information was provided for this study. In this paper, 15 commercial banks were selected for data collection using convenience sample technique.

Analytical tools

This paper has applied SPSS (version 20) program to process and analyze the data collected based on responses of bank depositors through questionnaire survey. This study has used percentage frequency distribution of responses to identify and analyze differences in views based on respondents' personal characteristics (such as gender, age group, academic qualification and years of deposits etc.) and responses on closed-end multiple choice questions to obtain a meaningful conclusion. Accordingly, for ranking scale type of data, numbers of responses, overall weighted means and ranks have been used to identify the most and least preferred factors influencing bank performance as perceived by respondents. Similar techniques have been applied for 5-point Likert scale items to analyze degree of agreement or disagreement with respect to given statements using overall weighted mean and ranks.

Result and discussion

This section of paper attempts to analyze survey data related with bank performance collected from bank depositors to provide results of the study. Questionnaire survey has been administered to record opinions, perceptions, and characteristics of bank depositors with respect to the factors affecting bank performance in Nepal.

Profile of respondents

In this paper, respondents are bank depositors of commercial banks. Annex-1 shows disaggregated characters of respondents based on gender, age group, academic qualification, and years of bank deposits.

Result of Annex 1 shows that most of depositors in Nepalese commercial banks are male. Majority of depositors are age of more than 25 to 50 years with academic qualification of bachelors' degree. Bank depositors of Nepalese commercial banks have monthly income of Rs 20,001 to Rs 50,000 and most of them have their accounts in banks for more than one year to five years.

Survey results

This section of paper presents descriptive findings on respondents' perception regarding various aspects of factors affecting performance of banks. With respect to depositors' preference of commercial banks, 94.83 percent respondents viewed that they prefer to deposit in commercial banks but 3.36 percent respondents don't prefer whereas remaining depositors have no idea about preference of banks. Survey result reveals that 46.77 percent bank depositors are satisfied with e-banking services offered by commercial banks and 28.94 percent are not satisfied present e-banking services whereas remaining depositors are indifferent with current e-banking services of Nepalese commercial banks.

Regarding consideration of depositors equity ownership in Nepalese commercial banks, result shows that majority (63.31%) depositors have no any equity ownership in their deposited banks whereas 31.01 percent depositors viewed that they have equity ownership of banks and remaining have no idea whether they have equity ownership in banks or not. With respect risk analysis and its effect on bank deposits, majority (50.90%) respondents opined that depositors are considering analyzing risk while depositing money in banks but 39.28 percent depositors are not considering level of risk where as remaining depositors have no idea about level of risk of banks. The depositors' responses on current interest rate of deposits in Nepalese commercial banks are presented in Table 1.

Table 1

Depositors' perception on current interest rate on deposits of commercial banks

Items	Number	Percentage
Very high	2	0.52
High	18	4.65
Moderate	127	32.82
Low	208	53.74
Very low	32	8.27
Total	387	100.00

Source: Field Survey, 2019

Table 1 shows that 53.74 percent depositors feel that interest rate on deposit in Nepalese commercial bank is low, 32.82 percent agree that interest rate is moderate, 8.27 percent respondents are considered interest rate on deposit is very low, 4.65 percent respondent feel interest rate is high whereas 0.52 percent depositors feel interest rate is very high. This result implies that interest rate on deposit in Nepalese commercial banks is low. Survey result regarding reasons of preference of commercial banks by the depositors is presented in Table 2.

Table 2

Depositors' perception on reasons of preference of commercial banks

Items	Number	Percent
Interest rate	125	32.30
Easy access	194	50.13
Less risk	52	13.44
Other	16	4.13
Total	387	100.00

Source: Field Survey, 2019

Result exhibited in Table 2 demonstrates that 50.13 percent depositors prefer to deposit their money in commercial banks because of easy access, 32.30 percent depositors viewed that deposit is due to reasons of interest rates and 13.44 percent depositors are considering less risk whereas remaining depositors are depositing in banks other than these reasons. This survey result indicates most of depositors prefer commercial banks to deposit their money due to easy access. The opinions of bank depositors about selection of financial institution to deposit their money are exhibited in Table 3.

Table 3

Depositors' perception on priority of financial institutions

Items	Number	Percent
Commercial banks	278	71.84
Development banks	49	12.66
Finance companies	36	9.30
Others	24	6.20
Total	387	100.00

Source: Field Survey, 2019

Table 3 shows that 71.84 percent of depositors prefer to deposit their money in commercial banks, 12.66 percent depositors like to deposit in development banks and 9.30 percent depositors deposit their money in finance companies whereas remaining deposits in other financial institutions. This result indicates majority depositors prefer to deposit their money in commercial banks. The survey results regarding preference of bank accounts offered by Nepalese commercial banks are shown in Table 4.

Table 4
Depositors' perception on preference of bank accounts

Items	Number	Percent
Saving Account	319	82.43
Fixed Account	20	5.17
Current Account	43	11.11
Others	5	1.29
Total	387	100.00

Source: Field Survey, 2019

Survey result in Table 4 shows that 82.43 percent of depositors prefer to deposit their money in saving account, 11.11 percent depositors like to deposit in current account and 5.17 percent depositors desire fixed account to deposit money but remaining depositors are interested to deposit other accounts than above mentioned. Therefore, result indicates most of Nepalese depositors of commercial banks deposit money in saving accounts. Survey result regarding factors affecting interest rate is presented in Table 5.

Table 5
Depositors' perception on factors affecting interest rates of banks

Items	Number	Percent
Total deposit amount in the banks	38	9.82
Total lending (Investment) amount of the banks	51	13.18
Government rules and regulations regarding banks	185	47.80
Interest Rates of other banks	89	23.00
Others	24	6.20
Total	387	100.00

Source: Field Survey, 2019

Results exhibited in Table 5 show that 47.80 percent depositors feel government rules and regulations affect interest rate in Nepalese commercial banks, 23 percent respondents agree that interest rate is affected by interest rates of other banks, 13.18 percent depositors are considered interest rate on deposit is based on size of lending amount of banks, 9.82 percent of respondents feel interest rate is affected by size of deposit amount and remaining depositors viewed other factors affect interest rate on deposits in Nepalese commercial banks.

Depositors' perception on qualitative factors influencing bank deposits and performance
In an attempt to identify how bank depositors perceive bank qualitative factors influencing deposits and bank performance, respondents were asked to rank five bank characteristics

variables assigning '1' as the most important, '2' more important and so on. Depositors' responses on qualitative factors influencing deposit decision and bank performance are exhibited in Table 6.

Table 6
Depositors' perceptions on qualitative factors influencing bank deposits and performance

S.N.	Items	Most Important	More Important	Important	Less Important	Least Important	Total Responses	Mean Weight	Overall Rank
		1	2	3	4	5			
1	Image of bank	161	38	70	50	68	387	2.55	1
2	Management team of bank	82	83	81	114	27	387	2.80	3
3	Bank services	39	139	109	76	24	387	2.76	2
4	Easy access of bank	57	82	51	76	121	387	3.32	4
5	Effective Business plans	44	46	76	78	143	387	3.59	5

Source: Field Survey, 2019

Survey result of Table 6 implies that bank image has top most important qualitative factor affecting depositors' deposits and bank performance with overall rank of first and accordingly bank services, management team of banks, easy access and effective business plans of banks got second, third, fourth and fifth position as the factors affecting deposit decisions and performance of Nepalese commercial banks.

Depositors' perception on bank related factors influencing deposits and performance
Similarly, in an attempt to identify how bank depositors perceive bank related factors influencing deposits and performance of Nepalese commercial banks, respondents were asked to rank five bank-specific factors assigning '1' as the most important, '2' as more important and so on. Depositors' perception on bank related factors influencing deposits and performance of Nepalese commercial banks are presented in Table 7.

Table 7
Depositors' perception on bank related factors influencing bank deposits and performance

S.N.	Items	Most Important	More Important	Important	Less Important	Least Important	Total Responses	Mean Weight	Overall Rank
		1	2	3	4	5			
1	Cash flow of banks	58	121	95	89	24	387	2.74	2
2	Book value of equity	38	63	83	114	89	387	3.40	3
3	Dividend decision	13	63	102	121	88	387	3.54	4
4	Interest rate on deposits	231	66	62	14	14	387	1.74	1
5	Interest rate on lending	38	82	45	52	170	387	3.60	5

Source: Field Survey, 2019

Survey result of Table 7 indicates interest rate on deposits of banks has top most impact on deposit decision and bank performance with overall rank of first and accordingly cash flow position, book value of equity, dividend decision and interest rate on lending of banks got second, third, fourth and fifth positions as the factors affecting in deposit decisions and performance in Nepalese commercial banks.

Depositors' perception on low interest rate on deposits and bank performance
Further, in an attempt to identify how bank depositors feel about factors responsible for low interest rate on bank deposits and performance in Nepalese commercial banks. In this paper, respondents were asked to rank of five factors which are mostly responsible for low interest rate on deposits and performance of commercial banks assigning '1' as most important, '2' more important and so on. Table 8 sketches responses of depositors on factors influencing interest rate on deposits and performance in Nepalese commercial banks.

Table 8
Depositors' perception on low interest rate on deposits and bank performance

S.N.	Items	Most Important	More Important	Important	Less Important	Least Important	Total Responses	Mean Weight	Overall Rank
		1	2	3	4	5			
1	Excessive deposits in banks	95	57	51	76	108	387	3.12	4
2	Lack of investment opportunities of banks	108	121	51	76	31	387	2.49	2
3	Lack of profitability of banks	63	76	121	89	38	387	2.90	3
4	Early stage of development of banks	31	57	102	82	115	387	3.50	5
5	Poor operating performance of banks	114	104	78	58	33	387	2.46	1

Source: Field Survey, 2019

Table 8 shows the most important reason of low interest rate on bank deposits is poor operating performance of Nepalese commercial banks. It has the lowest mean weight value of 2.46 and rank as number one. Similarly, respondents ranked lack of investment opportunity of banks, lack of profitability of commercial banks, excessive deposits in banks and early stage of development of banks are as second, third, fourth and fifth important factors respectively which are responsible for low interest rates on deposits and overall performance of Nepalese commercial banks.

Investors' preferences on factors affecting deposit decisions and bank performance
The respondents were asked to rate total of 9 statements about factors influencing deposits and performance of Nepalese commercial banks in five point Likert scale, point scale indicating "1" as strongly agree to "5" as strongly disagree. Table 10 summarizes number of responses in each scale along with weighted mean scores, and overall ranks assigned by bank depositors.

The mean score below three indicates depositors' agreement with statements and those above three represents disagreement with statements.

Table 9
Investors' preferences on factors affecting deposit decisions and bank performance

Statements Representing Considerations about Bank Deposits and Performance	Strongly Agree		Strongly Disagree			Mean Weight	Overall Rank
	1	2	3	4	5		
Depositors deposit money based on size of lending of banks.	63	203	63	44	14	2.34	5
Depositors deposit money based on size of total deposits of banks.	172	118	25	38	34	2.08	2
Investors analyze managerial efficiency of banks before deposit decisions.	102	159	63	32	31	2.31	4
Deposit decisions are based on use of modern technology by banks.	199	140	4	38	6	1.74	1
Deposit decisions in banks are based on market information.	102	171	51	60	3	2.20	3
Depositors deposit money in banks based on analysis of liquidity position.	82	193	21	76	15	2.35	6
Depositors analyze effect of gross domestic products of the nation before depositing money in banks.	70	146	95	63	13	2.49	7
Deposit decisions are made based on changes of market price of stock of banks.	95	127	70	57	38	2.52	8
Depositors analyze use of debt of banks before depositing money in banks.	25	102	95	102	63	3.20	10
Depositors analyze size of total assets of banks before depositing the money.	44	95	76	121	51	3.10	9

Source: Field Survey, 2019

The survey results in Table 9 show numbers, weighted mean, and overall rank of responses assigned by bank depositors. The result indicates bank depositors tend to most agree that bank deposit decision and performance depend on use of modern technology in banks. Second most important consideration for depositors is size of deposits of banks. Third important consideration of bank depositors in their deposit decisions is to analyze market information about banks and so on. Bank depositors tend to disagree with statements that size of debt capital and size of total assets of banks affect deposit decisions and performance of commercial banks in Nepal.

Conclusion

In modern competitive and globalized era, economic development of nation depends on financial and economic activities. Banking sector development has key role financial and economic activities for capital formulation and rendering financial and services to the society. Development of banks is based on financial performance which is affected by various internal and external factors. This paper has analyzed depositors' perception on factors affecting bank performance using descriptive and explorative research design. Data were collected using survey questionnaire and percentage cross tabulation, mean, and overall ranks have been used to analyze factors affecting bank performance. Survey result reveals that depositors prefer to deposit money in commercial banks because of easy access but they are not satisfied with e-banking services, majority depositors have no ownership in banks and feel interest rate on deposit is less than expectations. Nepalese depositors prefer to deposit in saving account analyzing risk and feel that government rules and regulations affect interest rates of banks. Further, result indicates that banks' image and interest rate on deposits are key factors affecting bank deposits and performance. Poor operating performance and lack of appropriate investment opportunities are reasons of low interest rate on saving of banks. Finally, result concludes that use of modern technologies, size of deposits, market information, managerial efficiency, size of lending and deposits of banks are more affecting and size of debt capital and size of total assets are weak affecting factors of performance in Nepalese commercial banks.

This paper has used observations only from commercial banks and results are not representative of all banking sectors of Nepal. Therefore, there is a need of future research to include larger number of observations from the different sectors of banks such as development banks, finance companies, micro-finance, cooperatives etc. to analyze performance of overall Nepalese banks. This paper is only based on perception of bank depositors, such study can be administered with inclusion of perception of bank managers, policy makers, academics and financial analysts. Further, similar studies can be administered incorporating different bank-specific factors such as size, deposits, loan loss provision, liquidity, management efficiency, operating costs etc. and macro-economic factors such as gross domestic product, inflation rate, tax rate etc. affecting bank performance such as return on assets, return on equity, net interest margin etc. using secondary sources of data.

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Annex-1
Profile of individual depositors based on personal characteristics

Depositors' Character	Number	Percentage
Gender of depositors:		
Male	269	69.51
Female	118	30.49
Total	387	100.00
Age Group of depositors:		
25 years and below	58	14.99
26 to 50 years	197	50.90
51 to 75 years	120	31.01
76 years and above	12	3.10
Total	387	100.00
Academic Qualification of depositors:		
SLC and below	34	8.79
Proficiency certificate level (+2)	57	14.73
Bachelors	197	50.90
Masters and above	99	25.58
Total	387	100.00
Income Level (Rs per month):		
Below 25,000	58	14.99
25,001 to 50,000	211	54.52
50,001 to 75,000	76	19.64
75,001 and above	42	10.85
Total	387	100.00
Years of bank accounts:		
Less than 1 year	42	10.85
1 to 5 years	201	51.94
5 to 10 years	103	26.62
More than 10 years	41	10.59
Total	387	100.00

Source: Field Survey 2019