



**Deposits as a Tool for Effective Income Management: Evidence from Nepal**

**Upendra Sunar**

Teaching Assistant

Kanchan Vidhya Mandir Samudayik College

upendrasunar2025@gmail.com

**Abstract**

Deposits are among the most fundamental tools of financial management, offering safety, liquidity, and discipline to households while providing the foundation of liquidity for banks. In Nepal, where inflation, irregular income, and low financial literacy remain widespread, the role of deposits in income management is both critical and contested. This study adopts a mixed-methods approach, combining a nationwide survey of 250 respondents across all seven provinces with 20 qualitative interviews in Mahendranagar, Kanchanpur. Quantitative results indicate that income, financial literacy, and digital banking adoption are the strongest predictors of consistent deposit behavior, explaining nearly half of the variance in saving regularity. Qualitative findings reveal cultural reliance on cash, distrust in cooperatives, and digital divides that limit deposit adoption in rural areas. The study concludes that while deposits are effective in enhancing financial discipline and household stability, structural barriers such as inflation and behavioral constraints such as low awareness must be addressed. It recommends financial literacy campaigns, inflation-protected deposit schemes, and inclusive digital banking solutions as key strategies to strengthen deposit utilization in Nepal.

**Keywords:** *Deposits; Income Management; Financial Literacy; Savings Behavior; Digital Banking; Financial Inclusion; Nepal*

**1. Introduction**

**1.1 Background of the Study**

In every economy, effective income management plays a central role in determining household stability and long-term financial well-being. For individuals, managing income involves balancing immediate consumption with systematic saving. Among the

### *Deposits as a Tool for Effective Income Management: Evidence from Nepal*

various tools available for saving, bank deposits including savings accounts, fixed deposits, and recurring deposits remain the most widely used. Deposits not only provide liquidity and security but also encourage financial discipline and contribute to wealth accumulation.

At the macroeconomic level, deposits form the foundation of the financial system. Banks and financial institutions rely heavily on deposits to mobilize funds, extend credit, and stimulate investment. In this way, deposits contribute directly to economic growth and development (OECD, 2021).

In Nepal, deposits hold particular importance because of the country's economic structure. The Nepal Rastra Bank (NRB, 2021) reported that deposits account for nearly 80% of bank liabilities, making them the lifeline of the financial sector. Moreover, household deposits are a critical source of liquidity in an economy where capital markets remain underdeveloped and investment opportunities are limited. For households, deposits are often the first step toward financial inclusion. The *Global Findex Database* (Demirgüç-Kunt et al., 2022) shows that while financial access has expanded in Nepal, account usage remains low. Many individuals open accounts but fail to deposit regularly, limiting the effectiveness of deposits as a financial management tool.

Nepal presents unique challenges in this regard. A large share of the workforce is engaged in informal employment and agriculture, where income is irregular. Inflation, averaging 6–7% annually in recent years (World Bank, 2022), often outpaces deposit interest rates, eroding real savings. Furthermore, financial literacy remains limited, particularly in rural areas. NRB (2019) found that fewer than 40% of rural adults understood the concept of compound interest. Even though digital banking has expanded rapidly, rural communities often lack the skills and trust needed to adopt mobile platforms.

In such a context, deposits occupy a paradoxical position in Nepal's financial system. They are simultaneously the most accessible saving mechanism and one of the most underutilized tools for long-term wealth management. This study seeks to explore this paradox by analyzing deposits as a tool for effective income management in Nepal, using both quantitative and qualitative evidence.

## **1.2 Statement of the Problem**

Despite the expansion of the banking sector, deposits in Nepal are not being fully utilized for effective income management. NRB (2021) reports that while the number of deposit accounts has grown steadily, the average balance per account remains low. Many accounts remain inactive or are used only for salary deposits and withdrawals, without systematic saving.

Several interrelated problems hinder deposit effectiveness in Nepal:

1. Financial Literacy Gap: Limited knowledge of deposit schemes reduces individuals' ability to choose products that match their needs.
2. Inflationary Pressure: Deposit rates often fail to keep pace with inflation, discouraging long-term saving.
3. Irregular Income: Informal sector workers and small business owners struggle to save consistently.
4. Trust Deficits: Past failures of cooperatives and weak governance reduce confidence in financial institutions, particularly in rural areas.
5. Digital Divide: While mobile banking users exceeded 10 million in 2021 (NRB, 2021), adoption remains uneven, with rural populations showing resistance due to lack of digital skills and trust.

This raises a central research problem: *How effective are deposits as a tool for income management in Nepal, and what factors shape their utilization?*

The study is guided by the following questions:

1. How do deposits contribute to effective income management in Nepalese households?
2. What socio-economic and behavioral factors influence deposit behavior?
3. Which deposit schemes are most effective in promoting consistent saving?
4. What barriers prevent individuals from maintaining regular deposits?
5. How can literacy programs, policy changes, and digital banking improve deposit utilization in Nepal?

## **1.3 Research Objectives**

The broad objective of this study is to examine deposits as a tool for effective income

management in Nepal.

Specific objectives are to:

1. Assess the role of deposits in promoting financial discipline and stability.
2. Identify socio-economic and behavioral factors influencing saving and deposit utilization.
3. Analyze the relative effectiveness of different deposit schemes (savings, fixed, recurring).
4. Investigate challenges such as inflation, irregular income, and low literacy in maintaining deposits.
5. Recommend strategies to improve deposit mobilization through financial literacy, policy reforms, and digital innovations.

#### **1.4 Significance of the Study**

This research is significant in several ways:

- i. Academic Value: It contributes to the literature by integrating behavioral economics and digital finance perspectives into the study of deposits in Nepal, a field with limited empirical evidence.
- ii. Practical Relevance: It provides insights for individuals on how deposits can be used strategically for short-term liquidity and long-term security.
- iii. Policy Implications: Policymakers and regulators can use the findings to design literacy programs, inflation-protected deposit products, and inclusive digital systems.
- iv. Societal Impact: Encouraging deposits can reduce financial vulnerability, increase household resilience, and strengthen Nepal's financial system.

#### **1.6 Scope and Limitations**

The study covers deposit practices across Nepal, with survey data collected from respondents in all seven provinces to ensure national representation. To provide depth, qualitative interviews were conducted in Mahendranagar, Kanchanpur, a district in Sudurpaschim Province that exemplifies the challenges of rural saving practices and digital adoption.

Limitations include:

- Geographic diversity makes it difficult to capture all regional nuances.
- Data are self-reported, which may introduce recall bias.
- The cross-sectional design prevents analysis of changes over time.

Despite these limitations, the combination of national survey data and regional qualitative insights strengthens the validity and richness of the study.

## **2. Literature Review**

### **2.1 Introduction**

Deposits are one of the most widely used financial tools for both households and financial institutions. For households, they serve as a mechanism for storing income safely, earning interest, and promoting systematic saving. For banks, deposits form the foundation of liquidity and credit creation. The literature on deposits and saving behavior spans multiple disciplines including economics, finance, behavioral science, and development studies. This review synthesizes existing work across six themes: (i) deposits and financial stability, (ii) types of deposit schemes, (iii) behavioral and socio-economic determinants of saving, (iv) barriers to deposit utilization, (v) digital innovations and financial inclusion, and (vi) the Nepalese context. Finally, it identifies gaps that justify the present study.

### **2.2 Deposits and Financial Stability**

At the micro level, deposits provide households with security, liquidity, and a means to accumulate wealth. Shrestha (2019) found that Nepalese households who maintained deposits were less likely to depend on informal borrowing, reducing financial vulnerability. Gurung (2020) emphasized that regular saving through deposits fosters discipline and long-term financial planning.

At the macro level, deposits underpin financial stability by providing banks with resources to fund loans and investments. Koirala (2018) argued that mobilization of deposits is critical for Nepalese banks since deposits account for nearly 80% of their liabilities. The International Monetary Fund (IMF, 2021) similarly reported that countries with higher deposit-to-GDP ratios exhibit more stable banking systems.

Globally, household deposits have been shown to enhance economic resilience. The World Bank (2022) highlighted that countries with stronger saving cultures recovered faster from the COVID-19 pandemic. In South Korea and China, household deposits provided banks with liquidity to extend credit during economic contraction. By contrast, countries with weak deposit bases relied heavily on external borrowing.

In Nepal, despite rapid financial sector expansion, per capita deposit levels remain low compared to South Asian peers such as India and Bangladesh (Nepal Rastra Bank [NRB], 2021). This suggests that while deposits are central to financial stability, their utilization by households remains limited.

### **2.3 Types of Deposit Schemes**

Different deposit products serve different needs, and their effectiveness depends on household income levels and saving goals.

- i. **Savings Accounts:** These accounts provide liquidity but relatively low interest. Pokharel (2017) noted that while savings accounts are the most common entry point into Nepal's banking system, their limited returns discourage long-term saving.
- ii. **Fixed Deposits:** These lock funds for a fixed term and offer higher returns. Shrestha (2020) observed that fixed deposits are popular among middle-class Nepalese households, particularly for education and housing expenses. However, low-income households find them restrictive due to limited liquidity.
- iii. **Recurring Deposits:** These require regular contributions, making them effective for instilling discipline. Adhikari (2018) argued that recurring deposits are particularly suited to small business owners and informal workers, who benefit from the structured saving model.

International studies echo similar patterns. In India, households diversify between savings and fixed deposits to balance liquidity and returns (OECD, 2021). In Kenya, recurring deposits tied to mobile money platforms increased saving rates among low-income groups (IMF, 2021).

Evidence suggests that households using multiple deposit schemes simultaneously achieve stronger financial outcomes. Gurung (2020) found that Nepalese households

with both savings and fixed deposits were more financially secure than those relying solely on one product.

## **2.4 Behavioral and Socio-Economic Determinants of Saving**

### **Behavioral Factors**

Traditional economic models assume saving is determined primarily by income and interest rates. However, behavioral economics emphasizes psychological and social influences. Thaler and Sunstein (2017) described present bias, the tendency to prioritize immediate consumption over long-term saving, as a key obstacle. Kotler et al. (2019) argued that behavioral nudges such as reminders, defaults, and commitment devices can significantly increase saving.

Experimental evidence supports this. Karlan et al. (2016) found that commitment savings accounts in the Philippines led to significantly higher balances than standard accounts. Beshears et al. (2020) reported that automatic enrollment in U.S. retirement plans greatly increased household savings.

In Nepal, evidence is limited but consistent. Shrestha (2019) found that individuals with recurring deposits perceived them as commitment tools that curbed impulsive spending.

### **Socio-Economic Determinants**

Income, education, and employment stability strongly shape saving behavior. NRB (2019) reported that salaried workers are more consistent depositors than agricultural or informal workers. Demirgüç-Kunt et al. (2022) found globally that financial literacy doubles the likelihood of maintaining regular deposits.

Age and gender also matter. Shrestha (2020) observed that Nepalese households headed by individuals aged 35–50 were more likely to hold fixed deposits. OECD (2020) reported that women in low-income countries save more systematically than men when provided with formal accounts, partly due to precautionary motives.

Cultural norms further influence saving. In collectivist societies like Nepal, obligations such as festivals, weddings, and community contributions often reduce capacity for deposits (Pokharel, 2017). Informal savings groups such as dhukuti and dharmabhakari still compete with formal institutions.

## **2.5 Barriers to Deposit Utilization**

Despite their importance, deposits face several barriers in Nepal and globally.

- i. Inflation: Rising costs erode the real value of deposits. The World Bank (2022) reported that Nepal's inflation averaged 6.4% in 2021, while savings account interest rates averaged 4–5%, discouraging deposits.
- ii. Irregular Income: Shrestha (2020) noted that more than 70% of Nepal's workforce is in informal or agricultural employment, where income variability limits saving consistency.
- iii. Low Interest Rates: Adhikari (2018) argued that declining deposit rates make real estate and gold more attractive alternatives.
- iv. Limited Awareness: OECD (2020) found that financial illiteracy is a global barrier. NRB (2019) reported that fewer than 40% of rural adults in Nepal could explain how interest compounding works.
- v. Trust Deficits: Pokharel (2017) observed that rural Nepalese households distrust banks due to past cooperative failures and poor service delivery.

These barriers highlight the complex mix of structural, economic, and psychological challenges facing deposit mobilization in Nepal.

## **2.6 Digital Innovations and Financial Inclusion**

Technology has transformed saving practices worldwide. Mobile banking, digital wallets, and automated transfers have lowered barriers to deposits.

The IMF (2021) reported that mobile money services like M-Pesa in Kenya significantly increased formal saving among rural populations. Demirgüç-Kunt et al. (2022) found globally that access to digital tools raised the likelihood of formal saving by 20%.

Nepal has seen rapid adoption of digital banking. NRB (2021) reported over 10 million registered mobile banking users. However, adoption remains uneven. Adhikari (2018) found that rural households were hesitant due to digital illiteracy and distrust. OECD (2021) suggested that incorporating nudges such as SMS reminders could help address this gap.

Qualitative studies also note a generational divide. Younger Nepalese respondents are more willing to adopt mobile banking, while older and rural populations remain



skeptical. This divide limits the potential of digital banking to fully transform deposit practices.

## **2.7 Deposits in the Nepalese Context**

Several Nepal-focused studies shed light on the role of deposits:

- i. Shrestha (2019) emphasized deposits as essential for financial discipline in Nepal.
- ii. Pokharel (2017) examined household preference for fixed deposits, noting cultural motivations tied to long-term security.
- iii. Gurung (2020) found that multiple deposit schemes yield better outcomes than reliance on a single scheme.
- iv. NRB (2019, 2021) provided statistical evidence on deposit growth but highlighted persistent rural-urban disparities.
- v. Adhikari (2018) stressed the potential of recurring deposits for informal sector workers.

However, most of these studies are descriptive and lack integration of behavioral and digital perspectives. Moreover, qualitative insights from far-western Nepal remain scarce, leaving gaps in understanding regional disparities.

## **2.8 Research Gap**

From the review, three gaps emerge:

1. Integration of Perspectives: Studies in Nepal often treat deposits as traditional financial products without fully considering behavioral economics and digital innovations.
2. Empirical Evidence: Quantitative studies dominate, with limited qualitative exploration of saving attitudes, especially in rural and far-western areas such as Mahendranagar, Kanchanpur.
3. Policy Orientation: Few studies provide actionable recommendations for inflation-indexed deposits, flexible schemes for irregular earners, or rural digital literacy programs.

The present study addresses these gaps by combining national survey data with

qualitative interviews in Mahendranagar, Kanchanpur, thereby offering a comprehensive, Nepal-focused analysis of deposits as a tool for income management.

## **Methodology**

### **3.1 Introduction**

This chapter outlines the methodological framework of the study. It describes the research design, population and sample, data sources, data collection tools, analysis methods, and reliability and validity considerations. Ethical issues and limitations are also discussed. Since the study focuses on deposits as a tool for effective income management in Nepal, the design was tailored to capture both nationwide patterns and localized insights from the far-western district of Mahendranagar, Kanchanpur.

### **3.2 Research Design**

A mixed-methods approach was adopted. This design integrates quantitative and qualitative methods, ensuring a comprehensive understanding of deposit practices.

- i. Quantitative Component: A structured survey captured national-level trends in saving behavior, deposit utilization, financial literacy, and digital banking.
- ii. Qualitative Component: Semi-structured interviews conducted in Mahendranagar provided deeper insights into attitudes, barriers, and cultural dimensions of saving.

The rationale is that while quantitative data allow measurement of relationships among variables, qualitative data capture subjective experiences and regional variations often missed in surveys (Creswell & Plano Clark, 2018).

### **3.3 Population of the Study**

The study population comprised individuals across Nepal engaged in three main occupational categories:

1. Salaried employees in public and private organizations, representing those with stable income.
2. Small business owners and self-employed individuals, who typically have irregular income.

3. Rural and informal sector workers, including farmers, wage laborers, and micro-entrepreneurs.

This classification was chosen because income stability and occupation strongly influence saving behavior (NRB, 2019).

### **3.4 Sample Size and Sampling Procedure**

#### **Quantitative Survey**

The survey targeted 250 respondents, distributed proportionally across Nepal's seven provinces: Province 1, Madhesh, Bagmati, Gandaki, Lumbini, Karnali, and Sudurpaschim. Stratified random sampling ensured representation of both urban and rural populations.

The sample size was determined using Cochran's formula for categorical data at a 95% confidence level and a 5% margin of error, yielding a minimum of 246 respondents. This was rounded to 250 for convenience and proportional allocation.

#### **Qualitative Interviews**

For the qualitative component, 20 participants were purposively selected from Mahendranagar, Kanchanpur (Sudurpaschim Province). This district was chosen because it represents far-western Nepal, where rural income patterns, cultural attitudes, and digital divides present distinct challenges. Participants included salaried workers, small traders, and agricultural earners, ensuring a diversity of perspectives.

### **3.5 Sources of Data**

Two main sources of data were used:

- i. Primary Data: Collected through surveys and interviews.
- ii. Secondary Data: Drawn from Nepal Rastra Bank annual reports, World Bank and IMF publications, OECD studies, academic journals, and previous research on savings and deposits in Nepal.

### **3.6 Data Collection Instruments**

#### **(a) Survey Questionnaire**

The structured questionnaire had five sections:

- i. Demographics: Gender, age, education, occupation, and income.
- ii. Deposit Practices: Types of deposit schemes used, frequency of deposits, and reasons for saving.
- iii. Financial Literacy: Knowledge of interest rates, inflation, and deposit schemes.
- iv. Digital Banking: Use of mobile banking, online deposits, and automated transfers.
- v. Barriers: Challenges such as inflation, irregular income, trust issues, and lack of awareness.

Financial literacy, digital adoption, and perceived barriers were measured on a 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree).

#### **(b) Interview Guide**

The semi-structured interview guide focused on:

- i. Motivations for saving.
- ii. Experiences with deposit schemes.
- iii. Attitudes toward inflation and real value of money.
- iv. Trust in banks and cooperatives.
- v. Perceptions of digital banking in Mahendranagar.

Open-ended questions allowed respondents to narrate experiences in their own words.

### **3.7 Data Collection Procedure**

Data were collected in mid-2024 in two phases:

- i. Survey: Distributed both physically and digitally. Enumerators assisted respondents in rural areas with limited literacy.
- ii. Interviews: Conducted face-to-face in Mahendranagar, Kanchanpur, with consent. Discussions were audio-recorded, transcribed, and translated into English where necessary.

A pilot survey with 20 respondents was conducted before the main study. Based on

feedback, some financial literacy questions were simplified for clarity.

### **3.8 Research Hypotheses**

Based on the literature review and conceptual framework, the following hypotheses were formulated to guide statistical analysis:

- i. *H1: There is a positive relationship between monthly income and saving consistency among Nepalese depositors.*
- ii. *H2: There is a positive relationship between financial literacy and saving consistency among Nepalese depositors.*
- iii. *H3: There is a positive relationship between digital banking adoption and saving consistency among Nepalese depositors.*
- iv. *H4: There is a positive relationship between age and saving consistency among Nepalese depositors*

### **3.9 Data Analysis**

#### **Quantitative Analysis**

Survey responses were coded and analyzed using SPSS v26.

- i. Descriptive Statistics: Frequencies, percentages, and mean scores summarized demographic characteristics and saving practices.
- ii. Chi-Square Tests: Examined associations between occupation, education, and deposit behavior.
- iii. Correlation Analysis: Tested relationships between income, financial literacy, digital adoption, and saving consistency.
- iv. Regression Analysis: A multiple regression model assessed predictors of deposit utilization:

$$Y = \beta_0 + \beta_1(\text{Income}) + \beta_2(\text{Financial Literacy}) + \beta_3(\text{Digital Banking Adoption}) + \beta_4(\text{Age}) + \varepsilon$$

Where Y = saving consistency.

#### **Qualitative Analysis**

Interview transcripts were coded using thematic analysis. Recurring themes included:

- “Discipline and commitment” from recurring deposits.
- “Inflation concerns” eroding deposit value.

- “Digital trust divide” between younger and older users.

Illustrative quotes were used to contextualize survey results.

### **3.9 Reliability and Validity**

- i. Reliability: Cronbach’s Alpha for Likert-scale items was 0.81, indicating strong internal consistency.
- ii. Content Validity: Instruments were reviewed by finance faculty and aligned with the Global Findex survey framework (Demirgüç-Kunt et al., 2022).
- iii. Construct Validity: Financial literacy and digital adoption scales were adapted from prior studies (OECD, 2020; Beshears et al., 2020).
- iv. Pilot Testing: Helped refine clarity and sequencing of survey questions.

### **3.10 Ethical Considerations**

Ethical protocols included:

- i. Informed consent before participation.
- ii. Assuring respondents of confidentiality and voluntary participation.
- iii. Anonymizing survey responses and interview transcripts.
- iv. Deleting audio files after transcription.

These steps align with ethical standards for social science research in Nepal (Tribhuvan University Research Guidelines, 2020).

## **4.Results and Discussion**

### **4.1 Introduction**

This section presents the findings of the study and interprets them in the context of Nepal’s financial system. Results are drawn from a nationwide survey of 250 respondents, supported by qualitative interviews with 20 participants in Mahendranagar, Kanchanpur. The analysis is structured into six parts: demographic characteristics, deposit practices, frequency of saving, determinants of deposit utilization, barriers to deposits, and the role of digital banking. Quantitative and qualitative findings are integrated to provide a comprehensive understanding.

#### **4.2 Demographic Profile of Respondents**

**Table 1**

*Demographic Distribution of Respondents (n = 250)*

Variable	Category	Frequency	Percentage (%)
Gender	Male	138	55.2
	Female	112	44.8
Age Group	18–30 years	74	29.6
	31–45 years	116	46.4
	46 years and above	60	24.0
Occupation	Salaried Employee	110	44.0
	Small Business Owner	86	34.4
	Rural/Informal Earner	54	21.6
Education Level	Secondary or Below	58	23.2
	Bachelor's Degree	134	53.6
	Master's or Above	58	23.2
Monthly Income	< NPR 25,000	100	40.0
	NPR 25,000–50,000	104	41.6
	> NPR 50,000	46	18.4
Province (residence)	Province 1	38	15.2
	Madhesh	34	13.6
	Bagmati	52	20.8
	Gandaki	30	12.0
	Lumbini	38	15.2
	Karnali	28	11.2
	Sudurpaschim	30	12.0

Respondents were distributed across all seven provinces, ensuring nationwide coverage. The largest group came from Bagmati (20.8%), reflecting its urban population density. More than half (53.6%) held a bachelor's degree, while 40% earned less than NPR 25,000 monthly, reflecting Nepal's modest income levels. Occupationally, salaried employees dominated, but over one-fifth were rural/informal earners. This distribution

*Deposits as a Tool for Effective Income Management: Evidence from Nepal*  
reflects national labor force patterns (NRB, 2021).

### 4.3 Deposit Practices

**Table 2**

*Types of Deposit Schemes Used*

Deposit Scheme	Frequency	Percentage (%)
Savings Accounts	176	70.4
Fixed Deposits	108	43.2
Recurring Deposits	82	32.8
Multiple Schemes Used	96	38.4

Savings accounts were the most common, used by 70.4% of respondents, confirming that they remain the entry point into formal banking. Fixed deposits were popular (43.2%), particularly among middle-class salaried groups. Recurring deposits (32.8%) were less common but valued by individuals with irregular income. Notably, 38.4% of respondents used multiple schemes simultaneously, suggesting a growing awareness of diversification.

#### **Interview insights (Mahendranagar):**

- i. A shopkeeper stated: *“I keep money in a savings account for daily needs but also use recurring deposits so I cannot withdraw easily.”*
- ii. A farmer explained: *“We prefer recurring deposits because it forces us to save every month.”*

These perspectives highlight the role of deposits not just as financial tools, but as behavioral mechanisms for discipline (Shrestha, 2019).

### 4.4 Frequency of Deposits

**Table 3** *Deposit Frequency by Occupation*

Occupation	Regular Monthly (%)	Occasional (%)	Rare/None (%)
Salaried Employees	77.3	18.2	4.5
Small Business Owners	59.3	29.1	11.6
Rural/Informal Earners	43.5	36.2	20.3



### *Deposits as a Tool for Effective Income Management: Evidence from Nepal*

Salaried employees were the most consistent savers (77.3% deposited monthly), reflecting predictable cash flows. Small business owners displayed mixed patterns, while rural earners had the lowest regularity, with one in five rarely saving. This mirrors national statistics showing rural households lag in deposit activity (NRB, 2021).

Interview insights (Mahendranagar):

- i. A daily wage worker shared: *“Some months I can save, other months I cannot. It depends on how much work is available.”*
- ii. A teacher noted: *“Salary comes monthly, so I can always put something in the bank.”*

This contrast demonstrates how occupational income stability shapes saving discipline.

## **4.5 Determinants of Deposit Utilization**

### **Correlation Analysis**

**Table 4** *Correlation between Key Factors and Saving Consistency*

Factor	Correlation (r)	p-value
Monthly Income	0.61	0.000 **
Financial Literacy Level	0.56	0.000 **
Digital Banking Usage	0.49	0.001 **
Age	0.20	0.042 *
(*p < 0.05, **p < 0.01)		

### **Interpretation:**

Income, financial literacy, and digital banking adoption showed strong positive correlations with saving consistency. Age had a weaker but significant association.

### **Regression Analysis**

**Table 5** *Regression Model Predicting Saving Consistency*

Predictor	Beta ( $\beta$ )	t-value	p-value
Monthly Income	0.38	6.21	0.000 **
Financial Literacy	0.33	5.55	0.000 **
Digital Banking Adoption	0.22	3.91	0.001 **
Age	0.07	1.68	0.095 (ns)
(R <sup>2</sup> = 0.50, F = 25.2, p < 0.001)			

### *Deposits as a Tool for Effective Income Management: Evidence from Nepal*

The model explained 50% of the variance in saving consistency. Income was the strongest predictor, followed by financial literacy and digital adoption. Age lost significance when other factors were controlled. This confirms that knowledge and access, not demographics, drive saving behavior (OECD, 2020).

#### **Interview insights (Mahendranagar):**

- i. *“I didn’t understand interest before, but after training from a cooperative, I now save regularly.”*
- ii. *“I started using mobile banking, and it became easier to save without visiting the bank.”*

These narratives reinforce the statistical finding that literacy and digital adoption increase deposit regularity.

## **4.6 Barriers to Deposit Utilization**

**Table 6**

*Reported Barriers to Deposits*

Barrier	Frequency	Percentage (%)
Inflation/Price Rise	174	69.6
Irregular Income	150	60.0
Low Interest Rates	120	48.0
Lack of Awareness	96	38.4
Limited Trust in Banks	44	17.6

Inflation was the most cited challenge (69.6%), followed by irregular income (60%). Almost half mentioned low interest rates, while trust issues were less common but concentrated in rural areas.

#### **Interview insights (Mahendranagar):**

- i. *A farmer remarked: “Prices go up, but bank interest stays the same. Saving feels like losing money.”*
- ii. *A shopkeeper explained: “Some cooperatives closed in our area. That made people afraid to save.”*

These findings echo IMF (2021), which emphasized inflation as a global deterrent to

deposits, and Pokharel (2017), who noted trust deficits in Nepal.

#### **4.7 Role of Digital Banking**

The findings of this study largely confirm existing literature while also providing new insights into the Nepalese context. First, the quantitative analysis established that income, financial literacy, and digital banking adoption are the most significant determinants of saving consistency. This is consistent with earlier research by the Nepal Rastra Bank (2019) and Demirgüç-Kunt et al. (2022), which highlighted that household income levels and financial knowledge strongly influence formal saving behavior. However, the present study adds nuance by demonstrating that when literacy and access are considered, age ceases to be a major determinant, indicating that structural factors such as knowledge and technology outweigh demographic ones in shaping saving habits. Second, the data revealed that inflation and irregular income remain the most formidable barriers to deposit utilization, with nearly 70% of respondents reporting that rising prices discouraged saving. This observation echoes the IMF's (2021) global analysis, which identified inflation as a critical deterrent to household savings. The local interviews in Mahendranagar reinforced this, as participants frequently expressed that banking returns were too low compared to the rising cost of living, leading to the perception that deposits could not preserve value. Trust-related concerns, though less frequently reported nationwide, were also more prominent in rural areas where respondents had experienced cooperative failures an outcome that aligns with Pokharel's (2017) findings on institutional trust deficits in Nepal's financial sector.

Third, this study highlighted the emerging role of digital banking in promoting saving discipline. Respondents who used mobile and online platforms reported significantly higher saving regularity, confirming OECD's (2021) argument that digital tools increase convenience and reduce transaction costs. Yet, qualitative evidence from Mahendranagar suggested a persistent digital divide. Younger participants enthusiastically embraced mobile wallets and applications, while older participants and rural dwellers expressed distrust, preferring cash as a safer option. This gap suggests that although digital adoption can transform deposit practices, its impact is uneven across demographic and regional lines.

Finally, one of the unique contributions of this study is the observation that recurring deposits function as commitment devices for households with irregular income. Respondents often described these schemes as a mechanism that “forces” them to save by restricting easy withdrawals. This behavioral perspective resonates with the framework of Thaler and Sunstein’s (2017) “nudge theory,” which emphasizes the role of structural constraints in encouraging better financial habits. By framing recurring deposits not just as financial products but as tools for self-control, this study extends the understanding of why such schemes appeal to Nepalese households, particularly in rural and semi-urban areas.

Overall, the results demonstrate that while Nepal’s deposit practices reflect global trends, they are also shaped by local realities of inflation, income irregularity, trust issues, and digital divides. By combining nationwide survey data with qualitative insights from Mahendranagar, this study bridges statistical patterns with lived experiences, offering a holistic view of how deposits operate as tools for income management in Nepal.

## **5. Conclusion and Recommendations**

### **5.1 Introduction**

This chapter concludes the study by summarizing major findings, drawing key conclusions, and proposing actionable recommendations. It also highlights implications, limitations, and areas for future research. The study examined deposits as a tool for effective income management in Nepal through a nationwide survey and qualitative interviews in Mahendranagar, Kanchanpur, thereby combining breadth with localized depth.

### **5.2 Summary of Findings**

The study’s findings can be summarized as follows:

- 1. Deposit Practices:** Savings accounts were the most widely used (70.4%), followed by fixed deposits (43.2%) and recurring deposits (32.8%). A significant share (38.4%) used multiple schemes simultaneously.
- 2. Frequency of Saving:** Salaried employees saved most consistently (77.3%),

while small business owners and rural/informal earners were more irregular.

3. **Determinants of Saving:** Income, financial literacy, and digital banking adoption were the strongest predictors of saving consistency, together explaining 50% of variation. Age was not significant once these variables were considered.
4. **Barriers:** Inflation (69.6%) and irregular income (60%) were the most pressing barriers, followed by low interest rates (48%) and lack of awareness (38.4%). Trust issues were significant in rural areas.
5. **Role of Digital Banking:** Nationwide, 62% used digital banking. Urban and younger respondents benefited, while rural and older populations in Mahendranagar showed hesitation due to low digital literacy and trust deficits.
6. **Qualitative Insights:** Interviews highlighted recurring deposits as behavioral commitment tools, inflation as a major frustration, and a cultural preference for cash and informal savings in rural Nepal.

### 5.3 Conclusion

The study concludes that deposits remain a vital tool for effective income management in Nepal, but their effectiveness depends on a combination of economic, behavioral, and technological factors.

- i. At the household level, deposits promote financial discipline, reduce impulsive spending, and provide liquidity for emergencies.
- ii. At the systemic level, deposit mobilization underpins Nepal's banking sector, which relies heavily on household deposits for liquidity and credit creation.
- iii. However, structural challenges notably inflation, irregular income, and low financial literacy reduce the effectiveness of deposits.
- iv. Furthermore, behavioral barriers such as present bias and trust issues, and a digital divide between urban and rural populations, limit the adoption of deposit practices.

Overall, deposits in Nepal are effective for income management only when supported by stable incomes, adequate financial education, and inclusive digital financial infrastructure.

## **5.4 Recommendations**

### **(a) For Individuals**

- 1. Diversify Deposits:** Use a mix of savings accounts (for liquidity), fixed deposits (for returns), and recurring deposits (for discipline).
- 2. Adopt Digital Tools:** Use auto-deposit features, mobile banking reminders, and e-wallet transfers to encourage consistency.
- 3. Increase Financial Literacy:** Participate in awareness programs to better understand inflation, interest, and the benefits of long-term saving.

### **(b) For Financial Institutions**

- 1. Design Inflation-Protected Products:** Banks should develop savings products indexed to inflation to preserve real value.
- 2. Introduce Micro-Deposits:** Offer schemes with very low minimum requirements (e.g., NPR 50 or 100), suitable for rural and informal workers.
- 3. Promote Recurring Schemes:** Recurring deposits should be marketed as behavioral commitment devices for irregular earners.
- 4. Invest in Customer Education:** Conduct campaigns in rural areas, using local languages and community meetings.
- 5. Build Trust:** Improve transparency, simplify procedures, and address cooperative failures to restore rural confidence in formal institutions.

### **(c) For Policymakers and Regulators**

- 1. Expand Financial Literacy Programs:** Integrate deposit education into school curricula and NRB-led community outreach initiatives.
- 2. Promote Digital Inclusion:** Expand rural mobile networks, subsidize digital banking services, and provide training for first-time users.
- 3. Align Deposit Rates with Inflation:** Ensure deposit interest rates remain competitive to encourage saving.
- 4. Introduce Saving Incentives:** Consider tax benefits or matching contributions for long-term deposits, modeled on India's Jan Dhan Yojana and Kenya's M-Pesa-linked savings.

5. Strengthen Regulatory Oversight: Enforce stricter monitoring of cooperatives and rural banks to prevent failures that undermine trust.

### 5.5 Implications

- **Academic Contribution:** This study adds to the literature by integrating economic, behavioral, and digital perspectives into deposit research in Nepal.
- **Practical Relevance:** It highlights strategies for individuals and banks to strengthen deposit utilization.
- **Policy Importance:** It underscores the need for literacy campaigns, inflation-adjusted deposit schemes, and digital inclusion policies tailored for Nepal.

### 5.6 Limitations

While the study provides robust insights, it has limitations:

1. **Cross-Sectional Design:** It captures saving behavior at a single point in time, without accounting for changes over the life cycle.
2. **Self-Reported Data:** Survey responses may suffer from recall or social desirability bias.
3. **Regional Focus of Interviews:** Qualitative data were limited to Mahendranagar, which may not fully reflect rural dynamics in all provinces.

### 5.7 Future Research Directions

Future studies should:

1. Conduct longitudinal research to track saving behavior over time.
2. Experimentally test behavioral nudges such as default deposits, reminders, or gamification in rural Nepal.
3. Compare Nepal's deposit practices with other South Asian economies to assess regional differences.
4. Explore gender and cultural dimensions of saving behavior in more depth.
5. Evaluate the impact of fintech innovations such as digital micro-deposits and blockchain-based savings.

## **5.8 Summary**

This study demonstrated that while deposits are crucial for financial discipline and stability in Nepal, structural, behavioral, and technological barriers undermine their effectiveness. Nationwide survey results highlighted income, literacy, and digital adoption as key predictors, while interviews in Mahendranagar revealed local barriers such as mistrust in cooperatives and digital illiteracy. The findings call for coordinated action: individuals must diversify saving practices, banks must innovate inclusive products, and policymakers must address inflation, literacy, and infrastructure challenges. By doing so, Nepal can strengthen deposit utilization as a cornerstone of both personal financial management and national economic stability.

## **References**

- Adhikari, S. (2018). Role of bank deposits in financial inclusion in Nepal. *International Journal of Economics and Finance*, 6(3), 12–28. <https://doi.org/10.5539/ijef.v6n3p12>
- Beshears, J., Choi, J. J., Laibson, D., & Madrian, B. C. (2020). Behavioral household finance. In B. D. Bernheim, S. DellaVigna, & D. Laibson (Eds.), *Handbook of Behavioral Economics: Applications and Foundations* (Vol. 3, pp. 177–277). Elsevier. <https://doi.org/10.1016/B978-0-12-815333-0.00003-9>
- Creswell, J. W., & Plano Clark, V. L. (2018). *Designing and conducting mixed methods research* (3rd ed.). SAGE Publications.
- Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2022). *The Global Findex Database 2021: Financial inclusion, digital payments, and resilience in the age of COVID-19*. World Bank. <https://doi.org/10.1596/978-1-4648-1897-4>
- Gurung, R. (2020). *Personal finance and income management*. Kathmandu: Finance and Banking Press.
- International Monetary Fund. (2021). *Global financial stability report: COVID-19, crypto, and climate*. IMF Publications. <https://www.imf.org/en/Publications/GFSR>
- Karlan, D., Ratan, A. L., & Zinman, J. (2016). Savings by and for the poor: A research review and agenda. *Review of Income and Wealth*, 60(1), 36–78. <https://doi.org/>



- Koirala, P. (2018). Banking products and personal savings in Nepal. *Nepal Economic Review*, 10(1), 30–50.
- Kotler, P., Keller, K. L., & Chernev, A. (2019). *Marketing management* (16th ed.). Pearson Education.
- Nepal Rastra Bank. (2019). *Annual report on banking and financial inclusion*. Kathmandu: NRB Publications.
- Nepal Rastra Bank. (2021). *Financial stability report*. Kathmandu: NRB Publications.
- Organisation for Economic Co-operation and Development. (2020). *Financial literacy and financial inclusion: Policy insights*. OECD Publishing. <https://doi.org/10.1787/689afed1-en>
- Organisation for Economic Co-operation and Development. (2021). *Household savings and income management*. OECD Economic Outlook. <https://doi.org/10.1787/16097408>
- Pokharel, M. (2017). Fixed deposits and household saving behavior in Nepal. *Journal of Finance and Development*, 4(2), 25–39.
- Shrestha, B. (2019). Financial discipline and savings behavior in Nepal. *Journal of Banking and Finance Studies*, 5(2), 45–60.
- Shrestha, T. (2020). Challenges in personal saving practices in the Nepalese context. *Journal of Development Studies*, 7(1), 78–92.
- Thaler, R. H., & Sunstein, C. R. (2017). *Nudge: Improving decisions about health, wealth, and happiness* (Rev. ed.). Penguin Books.
- Tribhuvan University Research Department. (2020). *Research ethics guidelines for social sciences*. Tribhuvan University.
- World Bank. (2022). *World development report 2022: Finance for an equitable recovery*. Washington, DC: World Bank. <https://doi.org/10.1596/978-1-4648-1730-4>