

**A STUDY  
ON  
LOAN DISBURSEMENT AND COLLECTION  
OF  
AGRICULTURE DEVELOPMENT BANK LIMITED**

**A THESIS**

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## **RECOMMENDATION**

This is to certify that the thesis:

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**A Study on Loan Disbursement and Collection of Agriculture Development Bank  
Limited**

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## **VIVA -VOCE SHEET**

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DEVELOPMENT BANK**

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for **Masters Degree of Business Studies (M.B.S.)**

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## **DECLARATION**

I hereby declare that the thesis entitled “**A Study on Loan Disbursement and Collection Pattern of Agriculture Development Bank Limited**”, submitted to Kankai Adarsha Awasiya Campus, is my own created work reported in the form of partial fulfillment of the requirement of Master of Business Studies (M.B.S.) course under the guidance of respected teacher supervisor Mr. Kedar Nath Mishra lecturer of Kankai Adarsha Awasiya Campus Birtamode.

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I hope the possible errors would be covered by the subsequent studies in this field in the future.

**Renu Kumari Gupta**

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# **CHAPTER - I**

## **INTRODUCTION**

### **1.1 Historical Background**

Banks are those financial intermediaries who accept deposits and grant loan. In other words bank may be defined as financial intermediaries accepting deposits and granting loans offers the widest menu of services of any financial institution. Certainly banks can be identified by the functions they perform in the economy. Oxford dictionary of business 2<sup>nd</sup> edition “A commercial institution licensed as a taker of deposits. Banks are concerned mainly with making and receiving payments on behalf of their customers, accepting deposits, and making short-term loans to private individuals, companies and other organization.

Hulsebury’s law of England “a banker is an individual, partnership or corporation whose sole or predominating business is banking that is the \receipt of money on current and deposit account and the payment of cheques drawn by and the collection of cheque paid in by a customers. The word bank is brought from French word Banque and Italian word Banco which means a bench to advance loan and exchange money. By giving definition of bank it is clear that the organization that accepts the deposits and provides the loan is bank. A bank provides not only from deposited amount but also creates the money for loan.

Banks pays the vital sale in developing the comity of any country. It is a resource mobilizing institutions, which accepts deposits from various sources and invests such accumulated resources in the fields of agriculture trade, commerce, industry, tourism etc. Benton W, Kolari “There are many legal and working definitions of a bank. One definition is that a bank is an organization that makes loans has FDIC (Federal Deposit Insurance Corporation) in insure deposits and has been granted banking powers enter by the state or the federal government. The working definition used in this text is a for profit stockholder owned financial institution that makes loans.

Now a day's two types of banking practice are seen in the rural financial market commercial banking and development banking." The commercial banks usually made business in urban areas whereas development banks provide services in rural areas. In the commercial lending, usually the same client is repeated if loan repaid but development financial if such repetition occurs. The outreach could not be extended. Generally development banks are established with the public funds such government treasury of the international financial institutions for the development" Krishna Bahadur Kunwar.

In general banking system denotes a modern banking system in modern days but there have been development of traditional banking system rather before in 723AD. King Gunakamadev did restricting of Kathmandu by means of taking loan. Similarly, in late 8<sup>th</sup> century a merchant from Kantipur (Kathmandu) Shankhadhar Shankhwa started Nepal Sambat after making payment of public debt which has been mentioned in Nepal Bansabali. Therefore, it can be seen that traditional banking system development in Nepal since 8<sup>th</sup> century. Specially making granting and taking loan is considering under traditional banking system which included four kinds of banks: Tankadhari, Tejaratha, Sahu Mahajan, and Desi Banker (domestic banker). Among these Tankadhari in mid 14<sup>th</sup> century is considered as a cast among 64 casts under the reign of Jayasthithi Malla. They lent trade loan, family loan, international loan and War time lendings. There is irregularity in interest rate and repayment process which gave rise to the development of other traditional form. Tejaratha is developed as government financial institution by Rana Prime minister targeted to free public Ranodip Singh in 1933 BS targeted to free public from exploitation by Tankadhari. Under this loans are made at 5% interest rate from government fund for pledge of gold, silver and other ornaments. Despite, easy and low cost loan under Tejaratha, it could not meet the capital supply for increased trade and low cost loan under Tejaratha, it could not meet the capital supply for increased trade and transition. Consequently Sahu Mahajan who lent loans through the shops they set up for selling commodities and another one who transacted loan to earn interest. Desi Bankers have been found developed simultaneously with Mahajan. They differed from Mahajan in the sense that Mahajan lent loans whereas Desi Bankers did following functions:-

- Lending loans
- Accepting deposits agency function
- Bills of exchange
- Hundi

And other banking functions. These too exploited people as Sahu Mahajan. However, they have made strong contribution in development of Modern Banking system.

Modern banking system started in Nepal with the establishment of Nepal Bank Limited in 1994BS. This is founded to meet the increasing need of trade and industrial transactions. With the development of trade and industry in Nepal need of capable institutions to make use lending is felt. Deshi bankers are incapable to meet the demands. Moreover, their policies of high interest and exploration hampered industrial and trade development of the country. Cottage and small scale rural based industries are inexistence since long and the trade with third countries stranded after the agreement of using Indian harbor between Prime Minister Chandra Samser Rana and East India Company in 1980Bs. After the agreement Nepal had the opportunity to trade overseas without involving British India which also further strengthened the need of independent banking system in Nepal. Furthermore the restructuring of after 1990 shock nourished the need. As a result, under the then Nepal industrial council Nepal Bank Limited is established as a commercial bank in Nepal. Thus it can be seen that a modern banking system started with the establishment of a commercial bank rather than central bank in the history of Nepal. Since then there had been gradual development in Nepalese Banking sector which can be discussed in brief as under.

**1. Nepal Bank Limited:** - Established in 1994 BS Kartik 30<sup>th</sup> as commercial bank is the first of its kind of Nepal. The first organized bank in Nepal had 51% government investment and 49% of general public. At the time of establishment its authorized share capital is 1 crore with 25 lakhs issued capital and 8 lakhs 42000 paid up capital its head office is in Kathmandu

**2. Nepal Rastra Bank:** - This is central bank of government of Nepal. This bank is established in 2013 Baisakh 14 under Nepal Rastra Bank Act, 2012 which issue

Nepali currency for the first time in 2016 Falgun 7. Earlier in 2002 Notes of 1,5,10 and 100 are issued from Sadar Muluki Khana when Indian currency is dominantly used in Nepal. Nepal Rastra Bank acts, as government bank and regulates the financial institutions of the country. It regulates other banks determines gold, stock bank of the bank formulate monetary policy etc.

**3. Nepal Industrial Development Corporation:** - With the objective of providing adequate capital supply for industrializations, NIDC is established as industrial development center in 2013 BS and later is change into Nepal Industrial Development Corporation in 2016 under NIDC act, 2016. It is the financial institution and not a bank. However, it acts as a bank and provides banking services to industry it advances midterm and long term loan to industry.

**4. Agriculture Development Bank Limited:** - Agriculture Development Bank Limited is established in 2020 as a cooperative bank. Later on this is changed into agricultural development bank after passing agricultural development act 2024. At the time of establishment its authorized capital is 5corers and is raised to 40 cores in 2043. Today it has transaction as other commercial banks but has specialized in agricultural development in the country. It advances short term, midterm and long term loan in agricultural sector for purchase of agricultural sector for purchase of agricultural tools, pump set, chemicals, fertilizer, seeds etc. the bank provide loan relatively in low cost and rebates time to time.

**5. Rastra Banijya Bank:** - This bank is established in Rastrya Banijay Bank act 2021 on 2022 Magh 10 for informing in transaction of all Nepalese commercial banking activates. At the time of establishment its authorized capital is 1 corer and later raised 4corer in 2036. The bank has operating head office in Kathmandu.

**6. Foreign Banks:** - consistent with, the policy of Nepal government is to attract foreign investment in joint venture of domestic capital. Several, joint venture commercial banks are established gradually in Nepal. First of all NABIL Bank Limited is established in 2041 Ashad 29 with its headquarter in Kathmandu with 50% share of Dubai bank limited, 20% of Nepalese financial institution and 30% of

Nepalese general public. After that in 2042 Nepal Indosuez Bank Limited (currently Nepal Investment Bank Limited ), is established with 50% share of French Bank, Banque Indosuez and 50% Nepalese share. Nepalese share constitutes of 15% of Rastriya Banijay Bank Limited 15% Rastriya Bima Sasthan and 20% Nepalese general public. Similarly Nepal Grind Lays Bank Limited (currently Nepal Standard Charter Bank Limited) is established in 2043 with 50% share of English Bank, Grind Lays Bank and the rest 50% Nepalese share. Among Nepalese share 35% is of Nepal Bank Limited, and 15% Nepalese general public.

SBI bank Nepal is established in 2050 under joint investment of Indian and Nepal. Similarly Himalayan Bank is established under joint venture of Nepal and Pakistan other banks like Nepal Bangladesh Bank (Nepal and Bangladesh investment) are established and the list continuous to grow currently the numbers of commercial bank have reached 32. The number of commercial banks in Nepal have reached 32 with 88 development banks and 70 finance companies with 24 micro credits and 16 cooperative bank licensed from Nepal Rastra Bank.

## **1.2 Statement of Problem**

The bank can't live without managing its liquidity position. This liquidity position depends on the management of disbursement loan in time and their self standing capacity or all expenses. A bank or any financial institute can disburse necessary amount of their borrowers and collect the entire disbursed amount in time if there is a good loan management system. Without effective and proper loan management no enterprise can accomplish its predetermined goals and objectives. Hence, it is the life blood of any financial institutional. The performance of Agriculture Development Bank Limited is not satisfactory because its lending procedure is lengthy and not familiar to the general people. Loans, which are taken for one purpose are used for other non agricultural activates, which is beyond the objectives of the bank. It's is due to that the bank cannot supervise whether there is proper utilization of their investment or not. The problem of this study is directed to find the solution for the following questions.

- For what purpose and which sector has to loan of agriculture development bank limited mobilized?
- How does the agriculture development bank limited disburse loan?
- Is there any significant relationship between the principal collection and outstanding loan on the disbursement loan?
- What is the ratio payment to loan disbursement and repayment to outstanding loan?

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

The main objectives of the study are to evaluate the trends of loan disbursement and collection pattern of Agriculture Development Bank Limited in all round development of agriculture sector. Here is the research work is carried out for the details study loan disbursement and collection schedule of Agriculture Development Bank Limited from fiscal year 65/66 to 69/70.

The major objectives of the study are:

- To analyze the purpose wise, term wise and region wise loan disbursement, collection and outstanding.
- To examine the disbursement collection and outstanding situation in each year.
- To analyze the rate of growth of loan disbursement, collection and outstanding.
- To analyze the relationship between principal collection and outstanding loan on disbursement and collection pattern.
- To provide appropriate suggestions.

### **1.4 Scope and Importance of the Study**

This study will be much more helpful for the formulation and implementation of loan policy under Agriculture Development Bank Limited of HMG Nepal.

The major scope and importance of the study are:

- The study will be helpful to micro-creditors to maximize the utilization of loan.
- This study mobilized to the productive area.

- The study of Agriculture Development Bank Limited will provide data about loan disbursement and collection patterns.
- Its working areas, which may be used to measure the success at implementation of programmes.
- It will help the other NGOs, INGOs and development banks to implement the credit projects.
- The findings of this study will be useful for planners, researchers, policy makers, financial institutions involved in such programmes.

### **1.5 Limitations of the Study**

This study is related only with the ADBL with reference to the loan disbursement collection and outstanding only in detailed form. So the study deals with financing for agriculture development. Furthermore, the following points will determine the certain limitations for this study.

- This study mainly concerns with ADBL.
- The research work is focus on loan disbursement and collection patterns of ADBL.
- The study is based mainly on the secondary data.
- Data which used in study of last five years.

### **1.6 Organization of the Study**

This study has been organized into 5 chapters, introduction, and review of literature, research methodology, presentation analysis of data, and conclusion and recommendation.

Introduction chapter is presented in first chapter which has been sub-dividend into six heads. These are historical background, statement of the problem, objective of the study, Statement of the problem, objective of the study, scope and significance of the study, limitation of the study and organization of the study.

Review of literature is presented in the second chapter, which has been sub divided into two heads. These are theoretical review and research review. Theoretical review has been further divided into ten heads. These are origin of the bank objective of Agriculture Development Bank Limited functional areas of the bank objective of Agriculture Development Bank Limited functional areas of the Agriculture Development Bank Limited major programs of Agriculture Development Bank Limited, types of loan lending areas of Agriculture Development Bank Limited interest rate on loans of Agriculture Development Bank Limited, loan disbursement procedure, collection procedure, security and margin requirements. And terms and condition to disburse loan. Research review has related on various studies to the present study.

Research methodology has been presented in the third chapter which has been sub divide into introduction, research design section of the field and the topic of the study procedure of data collection, data processing procedure, statistical tools used variables studied and procedure employed.

Presentation and analysis of data be presented in forth chapter which has been sub divided into introduction, loan disbursement, collection and outstanding purpose wise loan disbursement repayment and outstanding, type wise, loan disbursement and collection and outstanding region wise, loan disbursement and repayment and outstanding and outstanding and major findings of the study.

Finally, Summary, conclusions and recommendations will be presented in fifth chapter.

## **CHAPTER - II**

### **REVIEW OF LITERATURE**

#### **2.1 Theoretical Review**

##### **2.1.1 Introduction of the Agriculture Development Bank Limited**

With the main objective of providing institutional credit for enhancing the production and productivity of the agricultural sector in the country, the Agriculture development Bank Nepal is established in 1968 under the ADB/N act 1967, as successor to the cooperative bank. The Land Reform Savings Corporations is merged with ADBN in 1973. Subsequent amendments to the act emplaced the bank to extend credit to small farmers under group liability and expand the scope of financing to promote cottage industries. The amendments also permitted the bank to engage in commercial banking activities for the mobilization of domestic resources.

Agricultural Development Bank Limited (ADBL) is an autonomous organization largely owned by Government of Nepal. The bank has been working as premier rural credit institution since the last three decades, contributing a more than 67 percent of institutional credit supply in the country. Hence rural finance is the principal operational area of ADBL. Besides it has also been executing Small Farmer Development Program (SFDP), the major poverty alleviation program launched in the country. Furthermore, the bank has also been involved in commercial banking operations since 1984.

The enactment of Bank and Financial Institution Ordinance (BAFIO) in February 2004 abolished all Acts related to financial institutions including the ADBN Act, 1967. In line with the BAFIO, ADBL has been incorporated as a public limited company on July 14, 2005. Thus, ADBL operates as an “A” category financial institution under the legal framework of BAFIO and the Company Act, 2053.

#### **Corporate Vision, Mission and Objectives**

##### **Vision**

To be the pre-eminent bank, providing services throughout Nepal

**Mission**

To deliver comprehensive banking and financial services, capitalizing its extensive network in rural areas.

**Objectives**

To provide quality banking services and financial services to clients adopting market driven strategy delivering.

With the main objective of providing institutional credit for enhancing the production and productivity of the agricultural sector in the country, the Agriculture development Bank Nepal is established in 1968 under the ADBN act 1967, as successor to the cooperative bank .The Land Reform Savings Corporations is merged with ADBN in 1973. Subsequent amendments to the act emplaced the bank to extend credit to small farmers under group liability and expand the scope of financing to promote cottage industries. The amendments also permitted the bank to engage in commercial banking activities for the mobilization of domestic resources.

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Agriculture is the backbone of our economy and it is the main occupation of Nepalese farmers, therefore, our economy is mainly agriculture denominated. So without development of, we cannot develop our economy. There are so main factors like lack of irrigation; lack of improved seeds, sack of chemical fertilizers, lack of equipment, lack of technology etc affect Nepalese agriculture. Without sufficient finance, it is impossible to improve the factors which result a decrease in agriculture product. To supply sufficient finance, the financial agencies are needed and there are many financial institutions in the financial market. Among, them one of the main source of finance is ADB/N. actually, the main objective behind its establishment is to solve above mentioned problems that's why it is also called Bank of the Farmers, (*Bimal Kumar K.C. 2008*).

### **2.1.2 Objectives of Agriculture Development Bank Limited**

To provide quality banking and financial services to clients adopting market driven strategy delivering sustained.

#### **Corporate Conduct**

In achieving its corporate objective in pursuit of its corporate mission and vision, will:

- Company with all relevant legislation codes of conduct and standards of good corporate citizenship in Nepal while maintain full autonomy in the management of its operations;
- Conduct its operations in an open and transparent manner;
- Put local resources to work for local development, serving the rural community and its aspirations;
- Provide a full and balanced range of financial products and services that satisfies the needs of the rural population of Nepal, on a profitable and sustainable basis;
- Strive consistently to provide improved products and services to its clients at reasonable cost, using modern banking, information and communication technology in the most appropriate from to its clients needs;
- Be vigorous in building reputation for professionalism, competitive pricing reliability and quality of service and innovation;

- Operate in accordance with best banking practice, acting with financial prudence and keeping in mind the need to balance profitability with assets preservation and liquidity and to safeguard depositor's funds;
- Work together with its employees to develop their capabilities to contribute to achievement of the bank's objectives, promoting excellence. Rewarding achievement and providing them the opportunity to share in the bank's success;
- Develop mutually acceptable relationship with government in the pursuit of improvement in living standards in rural areas, while respecting best financial practices;
- Ensure that its activities contribute to the environmental stability and overall improvement of living standards in Nepal and
- Judge the bank's success against the measures that include profitability, portfolio quality in terms of minimal arrears and non-performing loans, portfolio worth, total depositors, geographic outreach and public image.

### **2.1.3 Functional Areas of Agriculture Development Bank Limited**

Commercial bank's function can be categorized into two types.

- Primary or Principal function
- Secondary or Ancillary function
- **Primary Function**

Primary functions of a commercial bank are three types

- Advisory services
- Providing credit reports
- Opening L/C

Demand in For Ex/travelers cheque only authorized **a. Acceptance of Deposit:** an important function of commercial banks is to attract deposit from the public. Commercial banks accept deposits very class and source and take responsibility to repay the deposit in the same currency whenever they are demanded by depositors.

**b. Lending:** another function of commercial banks is to make loans and advance out of the deposit receive in various forms. Bank applies the accumulated public deposits

to productive uses by way of loans and advances, overdraft and cash credits against approved securities.

**c. Investment:** now a day's commercial banks are also involved in Investment. Generally investment means long term and medium term investments.

- **Secondary Functions**

Secondary functions of commercial banks are two types:

- a. Agency Services**

- Collection and payment of cheque
- Standing instruction
- Acting as correspondence
- Collection of bills electricity, gas, telephone etc.
- Purchase and sell of stocks/ share act as a banker to issue

- b. Miscellaneous or General Services**

- Safe custody-bale
- Lockers-trustee
- Remittance facilities
- dealer branches
- Complete service in foreign trade
- Other services; debit card, credit card online banking SMS banking
- Creation of credit; a multiplier effect, deposit creates credit and credit creates deposits – derivative deposit.

Beside these activities, commercial bank may perform further tasks; all its activities are guided by its authority for the betterment of the company or for society.

## **2.1.4 Types of Loan**

### **2.1.4.1 Auto Loan**

Auto loan can be provided to purchase the Car, jeep, van, pickup, Micro buses which are use for family purpose or public use and for agriculture or industries product transport into Market.

Essentials documents for process are:

- Price list of vehicle.
- If the auto is use for personal purpose like family use income sources paper should be necessary,
- If the loan demanded by organization then there must be registries of company, pan/vat document, audit report, share holders' document.
- If the person is job holder then there should be income sources and jobs details.
- The vehicle which is use for commercial purposes road permit must require and the road permit must in location inside bank' branch.
- Monthly interest must be regular.

#### **2.1.4.2 Education Loan**

The education loan can be provided for the guenon person who worried about their career and study well inside country or outside the country. Similarly, the loan can be provided for +2, PCL, Graduate, Post Graduate and other who want to take different training.

Required document

- Approve letter issue by institutions where included name of country, subject etc.
- Photocopy of the entire document of S. L. C. and above.
- The institution where you want to study is equivalent by Nepalese university.
- Photo copy of passport and visa.
- Other document which can be asked by bank on process of loan.

The loan can be discharge only if the client can show the clear income source.

#### **2.1.4.3 Foreign Employment Loan**

This type of loan can be provided for the person who needs the loan to go foreign employment.

Essential documents

- Copy of passport and visa.

- Support document of foreign employ company.
- Approve latter if the government itself sending the employee.
- Quotation of total cost.
- Valid document of monthly income sources.
- Other document can be asked while processing loan,
- Estimated loan is determined by training cost, transportation cost, visa charge, others cost.
- The interest of loan will be monthly.

#### **2.1.4.4 Home Loan**

Home loan can be given to purchase house, flat or commercial building in different places of Nepal.

Essential document

- Copy of citizenship, land property, construct approve latter, map of building, building completed document.
- Forth side of land's document issue by VDC /Municipalities/ Metropolitan city.
- Photos of buildings.
- Citizenship and application composed by bank of building seller.
- Income source or reliable source of income so that loan can be clear (i.e. jobs details, blue book of vehicle, any other building's rent report if have.
- If the building has been book, then copy of it.

The installment period can be fixed from 5 to 15 years determined by income and expenditure of client as:

- 5 years installment 9.50% interest.
- 5 to 10 year 10.50% interest.
- Above 10 years 11.50% interest per month.

#### **2.1.4.5 Residence Loan**

This type of loan is provided for person who can't invest all money at a time to construct the buildings. Whereas all infrastructure has developed. The loan can discharge all the city area of Nepal or near the branch of the bank.

#### Essential documents

- Citizenship of client.
- Forth direction border of land issued by vdc / municipalities/ metropolitan city.
- Regular saving statement or any other document which clears about income.
- If the applicant is company then company's registration letter, audit report other company related document.

#### Rate of interest as follows

- 5 years 9.50 %
- 4to 10 years 10.50%
- Above 10 years 11.50% Pre month.

#### **2.1.4.6 Residential Loan**

This loan can be provided for family problem, family daily needs of any other purpose of them as:

- Valid pension document of the person.
- If the person is job holder, jobs details.
- If the person has business then all the business related document.
- Strong income source.
- All support documents related for loan ([www.adbl.gov.np](http://www.adbl.gov.np)).

#### **2.1.5 Lending Areas of Agriculture Development Bank Limited**

The main lending areas of the bank are:

Beneficiaries of Agriculture Development Bank Limited programmed vary from marginal farmers to big farmers. The bank has given top priority on agricultural development. It has extending its timely and effective service for providing credit and technical service for the purchase of inputs and capital items for raising agricultural production. The bank has financed and installed water turbines to generate electricity and has provided food grains processing facilities to farmers. The bio-gas scheme, popularized in village by the bank subsidy has reduced the dependence on forest by decreasing the consumption of julep wood and has enhanced the production of the environment.

- Agriculture
- Minerals
- Production
- Manufacturing
- Metal production, machinery agriculture tools and fittings
- Trans. tools production and fittings
- Trans, media and public utility service
- Wholesaler and retailer
- Finance insurance and fixed assets
- Service industry
- Other service industry
- Consumer loan

#### **2.1.6 Loan Disbursement Procedure**

The disbursement procedure of Agriculture Development Bank Limited is broadly based on two considerations. Firstly, it emphasized the development of such loans for the economically productive purpose and secondly it gives emphasis on regional specialization of production depending upon the topography and climatic condition. Hence, the lending policy of Agriculture Development Bank Limited is not like that commercial banks, which usually advanced loans when usually advance loan when they are giving adequate security but it considers the productiveness of the loans. For, this it takes the detailed accounts of the programmers including the expected periodic benefits from the concerned party and checks and review such accounts for its satisfaction. This has been termed as a project approach.

Agriculture Development Bank Limited advances loan directly to the individual farmers or indirectly through cooperatives. However, in both cases the farmer has to prepare the project statement before submitting it to the bank. To take loan from Agriculture Development Bank Limited firstly the person who willing to borrow loan should fill up the prescribed loan application, which is supplied by the bank. The application form should be accomplished with the supporting documents such as receipts of land revenue payment and the certificate of the land ownership. After

receiving the application form, bank employee visits the borrower to inspect the project site to make safe adequacy of the security. The visitors examines whither the project is technically feasible and economically viable or not. After that, the Agriculture Development Bank Limited loan section committee sanctions the loan.

Consideration for regional specialization has been given by stressing investment in cercal and cash crop production in the Terai, horticultural in the hills, tea in the eastern region and live stokes development in Himalayan/Terai region. It has also given stress on a special program for small farmer and landless agricultural labors introducing SFDP under it direct supervision and guidance various other factors like eligibility of borrowers loan limits interest rates, security and margin requirement etc are also specially staled and into consideration.

#### **2.1.6.1 Eligible Borrowers of Agriculture Development Bank Limited**

As per prescribed policies of Agriculture Development Bank limited the applicant

- Must be Nepalese citizen, if the applicant is a cooperative or corporation body it must be register in the related government offices.
- Must have necessary knowledge, experience and skill to operate enterprise. Must be socially and financially characteristic nature.
- Must not be arrears in repayment of principle or interest on any existing loan except for reasons behind their reasonable reasons.
- Must be willing to meet the equity contribution for the project as required by Agriculture Development Bank Limited's rule and regulations.

#### **2.1.6.2 Loan Limit**

Spending upon the purpose and type of the loan Agriculture Development Bank Limited provide loan ranging from 80-100 % of total project cost. The remaining part of the cost of the project will be equity contribution of borrower limits have also been set regarding the amount of loan that can be sanction can be remain outstanding.

### **2.1.6.3 Necessary Document while Receiving Loan**

The following documents are needed while receiving the loan from Agriculture Development Bank Limited

- Copies of the ownership certificate of land or building, receipt of land revenue and citizenship of Nepal citizen.
- Blue print of land or building
- Firm registration certificate
- Accepting owners while taking the collateral of other person.
- Credit information from other related financial institutions.
- Cost estimated of the project
- Quotation of machinery while procuring it for the project
- Two copies passport size photo of client
- Scheme of feasibility study report etc.
- Ability to take loan
- To take loan from Agriculture Development Bank Limited, borrowers must be
- Experienced and interested with the project.
- Socially and financially character full.
- Able to do good financial position of the project.
- Able to maintain good relationship with financial institution.
- Able to give acceptable collateral to the bank and invest some equity capital.
- Financially and technically viable project.
- Nepalese citizenship and ability to take loan from any institution legally.

### **2.1.7 Collection Procedure**

The bank must collect its principle and interest amount from the borrowers for the operation and further investment. The Agriculture Development Bank Limited has developed certain policy and procedure for the recovery problem which has already been mentioned above in this chapter.

The bank provides the loan under the supervision of collateral of the project and loan committee decision. Bank issues memorandum letter time to time before and after the loan installment period officials visit for the loan installment period officials visit for

the loan recover when the produces are harvesting and sold. If the borrower fails to repay the loan amount bank should take legal provision to sell of the collateral to recovery loan amount.

Bank may increase loan installment period, when the reasonable cases like earthquake, heavy rain, or flood diseases of natural calamities or political crisis or increase in cost of the project operation. Bank provides decrease of principle and interest amount increase in loan in installment period increase in loan amount for the improvement of the project. If the bank is unable to recover its loan amount it makes the bank list of the borrower and decides the bad debt of the wise it will be recover its loan amount by the legal process or any process take selling or action of collaterals and other property from the borrowers.

The farmers can get some direct and indirect benefits if they follow the payment rules and regulation of the bank. Firstly, the bank helps such farmers by granting necessary additional loan. Secondly, the farmers are supposed to be confidential and respectable person in the eyes of banks and society. Thirdly, economic burden of such farmers tends to decrease. Fourthly, their assets increase in near future. Finally, in farmers is able to repay the amount of medium and long term loan one month earlier than due date, the farmers is compelled to pay more additional interest as a punishment. Thus, the bank has considered the principle of prize and penalty. Generally, the laborious and efficient farmers are supposed to be winners and the inefficient farmers who neglect their occupation is penalized. As a result, the first category of farmers will also work in their farm with heart and soul. The provision of prize and penalty system lead to competition among the farmers to utilized the amount of loan in most effective manner.

#### **2.1.7.1 Recovery Policy and Procedure of Agriculture Development Bank Limited**

Each and every financial institutions including Agriculture Development Bank Limited has its own recovery policies and procedures to collect principal and interest from farmers. Agriculture Development Bank Limited grants short term, medium term

and long term loan with fixed lending period. These term loan requires to recover. So, Agriculture Development Bank Limited has loan recovery manual 1992 which is issued in 1992 under the Agriculture Development Bank Limited loan recovery regulation 1997 and Agriculture Development Bank Limited act 1967 and Agriculture Development Bank Limited act, 1967. The loan recovery manual is considered as a main base/guideline to cullet the loan invested early to farmers effectively with in its loan installment period.

The recovery policies and procedures of loan recovery manual of Agriculture Development Bank Limited are

- Objective of loan recovery manual.
- Authority of bank if banking the agreement.
- Provision for interest penalty and rebate.
- Provision for memorandum letter.
- Punishment stage of recovery.
- Provision for sick period.
- Correction of payment project.
- Pre-notice for publication of borrower's name in magazines.
- Provision of action of collateral doubtful loan.
- Remission of loan
- Provision for black list.

#### **2.1.7.1.1 Objective of Loan Recovery Manual**

- Official are mobilized for to conduct loan and timely monitoring by setting collection target.
- To make effective loan collection by conducting the recovery programmed on loan borer the loan installment period
- To conduct loan recovery collection pregame continually.
- To determine the failure project as pre-determined payment programmed to amend the date of loan recovery. If there is no possibility of recovering such loan then to determine it and make required provision.

- To make provision of keeping borrower's filed up to date by the help of information system.
- To give advice, suggestion and direction to borrowers for successful projects by continuous monitoring and supervision, (*ADBL. 1993:3*).

#### **2.1.7.1.2 Authority of Bank, if Breaking the Agreement**

- The bank has the authority of to sell or action of the collateral to recover the loan amount and interest.
- If the collectable valuation of the borrower decreases bank has authority to receive other property from borrower the sell and auction the property to collect the principal interest amount.
- If the Agriculture Development Bank Limited is unable to collect the loan amount from the selling of auction of collateral, bank has authority to rescore loan amount from the property of borrowers.
- Bank has authority to transfer the title of collateral to the third party. The third party has same legal validity of their property title which is transferred by the bank is same as by the borrowers.
- Bank collects their loan amount by the selling action any other expenses to the borrowers from the selling or auction of collateral. If the amount is received higher than the loan amount and other charge bank should be return those amount to the borrowers, which more from their recovery amount.
- Bank may be requested to the land registration office by the way of Nepalese law for the registration or transfer the selling or any other process.
- If the bank requested to the related registration related office will do.
- Collateral is not possible for selling or auction, the bank has authority to take the little of collateral from the related government office, (*ADBL, 1992:4-5*).

#### **2.1.7.1.3 Provision for Interest, Penalty and Rebate**

- Agriculture Development Bank Limited charges interest in different purposes which is shown in previous page. Extra provision interest rate penalty and rebate are given below:

- Agriculture Development Bank Limited charges one recent service charge if the loan amount and outstanding in more than Rs. 50000.
- Agriculture Development Bank Limited has different interest raise. Generally, cooperative organization has pay less interest rather than the individual borrower.
- If correction is made in payment period, then rebate is given as penalty as well as interest and principal.
- Sometimes Agriculture Development Bank Limited introduces notice of rebate especially file closing time 75% TO 85% rebate is given on non performing loan's interest to farmers,(ADB, 1992:8-9).

#### **2.1.7.1.4 Provision of Memorandum Letter**

Three type's memorandum letters will be issued by Agriculture Development Bank Limited to loan collection.

- **First memorandum letter:** - The first memorandum letter will be sent to borrow before loan installment period.
- **Second memorandum letter:-** the second memorandum letter will be sent to borrower after one month. In the borrower did not pay principle and interest within the loan installment period after sending first memorandum letter.
- **Pre- notice to publish borrower name in magazine:-** If the borrower didn't pay loan after sending second memorandum letter, Agriculture Development Bank Limited sent notices to borrower after 60 days. These memorandum letters will be sent through post office and officials of Agriculture Development Bank Limited who goes infield visits for loan collection. After sending memorandum letters 35 days, notice should be published in newspaper,(ADBL. 1992:15-16).

#### **2.1.7.1.5 Punishment Stage of Recovery**

There are two stages of punishment i.e. one general stage and other is critical stage. General stage and another is critical stage general punishment is a primary stage of

recovering loan. First, second and third memorandum letters are to be sent in this stage. This stage is pre-symbol of publishing borrower's name in magazine. When the borrower failed to repay loan amount, critical and legal punishment stage arises. Agriculture Development Bank Limited punishes the name of borrower in the public news paper to pay their loan amount within 35 days. Otherwise collateral will be sold by auction to collect the loan amount through legal process, (*Agriculture Development Bank Limited. 1992:38*).

#### **2.1.7.1.6 Provision for Sick Project**

Under the following conditions projects are consideration as sick projects.

- Partial or absolute loss from calamities such as earthquake, flood, landslide, fire etc.
- After project entrepreneur's death, if other people and family members aren't to operate project.
- If project is operated for some year and after that project can't be run through lack of raw material, market increase in tax, electricity charges etc.
- If Agriculture Development Bank Limited unable to grant credit on time, less on is approved and not get grace period according the requirement, (*Agriculture Development Bank Limited. 1992:38*).

#### **2.1.7.1.7 Correction of Payment Period**

If project is considered as sick through supervision and inspection, correction of payment period will be made by Agriculture Development Bank Limited under following condition.

- Due to systematic cause that is beared the borrower and if project will not shared in time.
- If the project is failed or going on loss by the causes of natural calamities such heavy rain, earth quake etc. robbery and other accidents.
- If project is affected by different diseases.
- In case of destroyed or damage the product of the project that can't be sold due to lack of market.

- If the borrowers family request after the death of main proprietor, if the project may not be operate successfully or it will be difficult to operate, (*ASBL. 1992:40*).

#### **2.1.7.1.8 Pre-Notice of Publication of Borrowers Name in Magazine**

If the borrower fails to repay their loan to Agriculture Development Bank Limited, Agriculture Development Bank Limited sent memorandum letter and does timely supervision on lending project. After this situation bank takes legal provision for recovering loan amount by selling collateral through auction or any other legal provision for recovering loan amount by selling collateral through auction to any other legal procedure. Bank publishes the borrower's name with the title of collateral in local and national newspapers for the payment of loan within 35 days, (*ADBN. 1992:53*).

#### **2.1.7.1.9 Auction Notice**

The bank publishes notice in different national newspapers for the auction of collateral, if failure to recover loan amount itself or by the borrower. The bank has decentralized the auction power for different level of officials, which are given to below :

- If the loan's principal and interest up to Rs500000 district level auction committee has division power.
- If the loan's principal and interest up to 500001 to 700000 supervision and controlling office has decision power.
- If the loans principal and interest more than 700001 to 1500000 decision power goes to DGM level comment.
- If the loans principal and interest is more than Rs. 1500001 decision power goes to the general manager level committee or the BOD of the Bank.
- The bank has authority for publishing of this decision 7days after passing the information about to the borrowers, (*Agriculture Development Bank Limited. 1992:55-56*).

#### **2.1.7.1.10 Doubtful Loan**

Agriculture Development Bank Limited announces the doubtful loan. If the loan amount will be possible to recover doubtful loan considered the following conditions.

- If the collateral is value less through the causes of natural calamities, other accident and not possible to collect loan from borrower's other property.
- To recover loan amount is not possible after selling or auction of collateral and there is no other property of the borrowers in the kingdom of Nepal.
- If the borrowers did not found by the bank and collateral may not be determined.
- If the loan amount may but be possible to recover when lending is made from the security and insurance of loan amount.
- In case of loan provided under the security of the project, if the project fails.
- If borrower succeeds to take loan from the bank by submitting duplicate documents i.e. cheating and bank fails to find out the borrower to may not get success to recover the loan by the legal process, (*Agriculture Development Bank Limited. 1992:65*).

#### **2.1.7.1.11 Remission**

The board of director of Agriculture Development Bank Limited has right to grant remission of principal and interest of loan provided by the Agriculture Development Bank Limited. The general manager has a right to grant remission of capitalized interest of capitalized amount. The following loan committee has authority for providing the remission of loan amount.

**Table 1 : Remission Committee and Remission of Loan in Rs.**

SN	Office	Remission of loan for one purpose
1	Deposit loan Committee	Up to Rs. 800
2	Sub Branch Loan Committee	Up to Rs.1200
3	Branch Loan Committee	Up to Rs. 2000
4	Main Branch committee	Up to Rs. 3000
5	Supervision and controlling office -first grade loan committee -special grade loan committee	Up to Rs. 4000 Up to Rs 5000
6	Head office recovery department -recovery committee	Up to Rs. 8000
7	Chairmanship of DGM loan committee	Up to Rs. 10000
8	As per authority of BOD remission given through GM	More than Rs 10001

(ADBN. 1992:69-70)

#### **2.1.7.1.12 Provision for Black List**

Borrowers named are kept under the black list in the following conditions.

- If the borrower don't complete the project and misused of the loan.
- If borrowers perform following function with bank, those person to be kept on black list and they cannot get loan from bank from second time.
- If borrower submits document of other saying time.
- If borrower submits application to bank by writing forge name.
- If a borrower hides his collateral and takes loan by showing other people's collateral.

Loan is taken by the borrower by keeping collateral, without prior permission of the bank, if the borrower sells the projector transfer the ownership of collateral to other.

- If borrower provided collateral to other which is already collateral into the bank.

- If borrower submits the duplicate documents are original documents, (*Agriculture Development Bank Limited. 1992:72*).

Above mentioned policies and procedure are guiding Agriculture Development Bank Limited present. Effective polices and procedure of loan investment and collection makes sound bank as well as farmers/borrowers.

Loan investment collection and parcel of every financial institution, if collection if not effective gradually overdue loan increase and non performing loan also increase. Overdue loan appears and a major problem of recycling loan also increases.

Overdue loan appears as a major problem of recycling of fund. Then, banks can't be operationally viable and finally sustainable.

### **2.1.8 Security and Margin Requirements**

Bank wants to the loans to individual creditors are adequately secured. It requires a liquid able mortgage on loans, building and fixed securities, loans are secured by fixed securities and assets of individual borrowers. The volume of such security is determined by the bank according to the prevailing market price and keeps a minimum margin of thirty percent on medium and long-term loans. In safe of short term production marketing and storage loans receipts with a margin of forty percent is satisfied as security. The policy of loan is admirable but the demand for loans by the (Agriculture field) peasant is not satisfactory. So, the facility of the bank has taken the landlords and riches. Even the margin of thirty percent on medium and long term loan is justifiable because the price of security may go ups and downs (during the loan period) within the repayment period. The short-term production loans within the repayment period. The short term-production loans with a margin o f forty percent as security it is high in margin because the price of security may not change suddenly.

Agriculture Development Bank Limited has following provision on security and margin policy. Agriculture Development Bank Limited requires either immovable or movable property such as land building, car bus etc.

**Table 2 : Security and Margin Policy**

S.N.	Property	Maximum loan granting	Margin
1.	Land	80	20
2.	Cemented house/godown and cold storage	70	30
2.	Machinery	50	50
4.	Long term horticulture tea and coffee(1 or 2 year plant's real price		

*Agriculture Development Bank Limited. Loan division 2012*

#### **2.1.8.1 Procedure of Lending**

Individual's cooperatives or corporate body willing to borrow the loan from Agriculture Development Bank Limited must fill up the prescribed loan application form supplied by Agriculture Development Bank Limited. The application should submit supportive documents with application form such as certificate of land ownership, receipt of land revenue payment or certificate of government registration for corporate and cooperate organization. In some cases, big projects project feasibility report essential.

After receiving the application from borrowers, Agriculture Development Bank Limited officials inspect the document as well as project side and security. After inspecting security, security is valued and borrower's acceptance on security is taken by bank. After examining, all documents and field visit loan committee approves loan to those borrowers whose project seems technically feasible, economically viable, politically suitably and socially acceptable. Agriculture Development Bank Limited gives approved notice borrower at last.

### **2.1.9 Terms and Conditions of Disburse Loan**

There are few reasons for inquiring various terms and conditions in extending loan to any project or farmer, in order to keep their loan safe and to be repaid in time. Different financial institutions have different terms and conditions to suit their own situations, which fulfill the purpose in the prevailing economic, social, political and other environmental factors. However, “safety, liquidity and profitability are the prime considerations for bankers to formulate advance policy”. With this view mind, the development banks impose following terms and conditions:-

#### **2.1.9.1 Amortization Period**

Every loan does have certain amortization period. Any sort of loan extended by development bankers should be repaid within predetermined time the borrower facing to repay the loan with in the amortization period. Bank takes some sort of action, if it delays the repayment for a longer period of time. The fixation amortization period is very crucial task. And kind of mistake in fixation of this period creates so many problems in making loan repayment. Therefore, while performing this delicate and vita task the special attention should be taken by development bank.

However, the amortization period is fixed on the basic of expected earning capacity of the project as revealed by the financial statements like, cost soles and profitability statements.

#### **2.1.9.2 Interest Rate**

As much as loan delays in making repayment of principle dues, so much will be movement the longer the delay in making repayment of principle dues, higher will be the movement in the total amount of interest to be paid along with the principal amount. And, so if the borrower can repay the loan earlier, the amount of interest to be paid will be decreased. Thus I such situation we cannot take the interest tare as stimulant of facilitation quick and timely repayment. Of course, it can be in some extent.

Be it for the purpose of meeting various expenditure of the bank or to meet shareholders obligations or to motivate quick, repayment interest rate should be set in accordance with cost of capital and not at artificial levels where high rate impede development, the low rate of interest can breed uneconomic projects that are viable only because they are subsidized.

### **2.1.9.3 Installment Dues of Principal and Interest**

Usually most development bank facilitates to make repayment in several installment dues. Such installment gaps generally range from 6 months to 1 year or more. The amount to be paid on each installment fixed on equal basis. The larger the amount of loan, the greater will be the installment figure and vice versa. In case of interest, also it has to be paid in the same manner.

### **2.1.9.4 Security**

In the word of Mr. Saxena, the first thing, which these banks generally look into, is the safety of their loans. And in this most banks insist upon adequate security for the loans they provide.” But security is not only thing to go or rigidity of the development banks should satisfy with various technical, managerial, economical, and social factors of the project. Because if the project, financial in the basis of security and not with proper care about above mentioned factors, fails to run and default the loan no doubt that the lenders or development finance company can realize the loan amount by selling the securities.

Such requirements will of course avoid sound, unproductive and uneconomic projects to come up. The breeding of uneconomic and unsound projects can be minimized by the way of legal authority to borrow from the part of the borrower to come up with genuine project.

### **2.1.9.5 Soundness of the Project**

Technically, managerially and economically sound projects are those which deserve special interest of the development by finance companies to extend necessary financial help. No development bank wishes to invest its resources in an unsound

project. It is always as a condition that any agricultural or industrial venture applying for loan with the development banks must be sound enough to the economic development. Every development or financial institutions or company looks at the first hand that whether the particular project is technically managerially and economically sound or not. That makes easy to the loan repayment timely.

#### **2.1.9.6 Repayment Capacity**

Repayment capacity can also be taken as a condition for extending loans. it is considered that the repayment of loan is the ultimate evidence of the right allocation of fund by development bank and the sources and agricultural or industrial venture. So the development bank always thinks about the repayment capacity of the borrower before granting loan. In this way, we seen that the development banks of any country impose several terms and conditions in order to keep their loan safe to make it properly utilized and ultimately to get them reserved in time.

### **2.2 Review of Previous Research Works**

**Oli, (1979)** has conducted a research topic on “*Agricultural Financing in Nepal*” Institutional agriculture credit facility has help to increase the rate of agricultural development.

His main objectives:

- To find out the effectiveness of the institutional credit in agriculture sector.
- Adequate credit should be extended to small and medium size of farmers by well organized agricultural credit institutional Agriculture Development Bank Limited.
- Single institutionalized credit agency must be able to help the farmers of rural areas in maximum to raise the farm productivity.

His major findings are as follows:

- To expend the institution credit services to the needy farmers in rural areas to save them from the exploitation of money lenders.

- Agriculture Development Bank Limited should open branches in rural parts of the country.
- Agriculture Development Bank Limited financing are more concentrated especially in mid-region but this will not fulfill the national goal of regional balance development. So, it needs to be diverted to the less developed areas of the country especially to the western and far-western development region.

His major recommendations are as follows:

- Agriculture Development Bank Limited is required to sure in general assets but to the community with the nearly to formulate such a policy regarding security that not nearly to these with assets but to the community in general.
- The process of loan disbursement by Agriculture Development Bank Limited is more complex and lengthy, but required formalities also should not be vague and borrowing process should be quick as well as simplified.

**Pradhan (2002)**, has conducted a research topic on “*Loan disbursement and collection pattern of Agriculture Development Bank Limited*” “bank’s staffs are not careful in loan disbursement and not serious in collecting the loan which have matured. Even, from this bank depositors have not received attractive interest rates while the borrowers and the investor have suffered from larger cost of funds. While it is reported that small depositors and entrepreneurs are discouraged from opening their account and crying out transaction in the joint venture banks.

His main findings:

- The bank giving less consideration to the concept of social banking.
- The annual percentage share in loan disbursement of central development region has increasing tendency while that of eastern region has decreasing tendency.
- The unequal disbursement of loan for different types of purposes might be seen among the development region.
- The high portion of collection comes from central development region.
- The high portion of collection comes from central development but ht annual percentage share in collection from this region has a decreasing tendency.

His major recommendations:

- Collection program must be given high attention from the realizing overdue loans from individuals and cooperative.
- Agriculture Development Bank Limited should be very strict in collecting loan from eastern development region
- Far western and western development region have to be given priority in the loan disbursement for cereal and cash crops production.

**Tamrakar (2007)** has conducted a research topic on “*A study on Loan Advances of Commercial Banks with reference to Nepal Investment Bank Limited, Everest bank Ltd. and NIC Bank.*”

His main Objectives:

- To examine the present situation of loans and advances and by the commercial banks under study.
- To evaluate facts regarding the lending and recovery of loans.
- To analyze the lending capacity of the banks.
- To assess the current situation of NPA in commercial banks and analyze its effect on the performance of the commercial banks.

His major Findings:

- The lending trend of all banks is in irregular increasing trend, where NIBL has highest lending practices than EBL and NIC
- The interest suspense of BIBL and NIC is fluctuating while that of EBL is increasing in diminishing rate.
- The financial ratios of three banks are in consistent trend which indicate the better utilization of deposit.
- The correlation analysis and trend line analysis of loan and advances are positive, indicating more loan investment.

His major recommendations:

- Increment in deposit, the loan and advances of the commercial banks are increasing.

- The banks should thoroughly analyze the capital management, capability and credit information of customer as primary factor and external environment and collateral as secondary factor before taking lending decision to avoid increment NPL.
- The banks should demine the investment portfolio carefully in regular interval.

**Shrma,(2008)** has conducted a research topic on, Loan management of Agriculture Development Bank Limited” focused the efficiency and effectiveness of loan recovery of the bank, has the objective to evaluate the loan disbursement and collection procedure of Agriculture Development Bank Limited.

His main objectives:

- To examine the loan disbursement and collection procedure of Agriculture Development Bank Limited
- To evaluate the trend of loan investment, collection and outstanding.
- To show achievement of purpose wise and term wise loan disbursement and collection and outstanding.
- To study lending policy, loan recovery procedure, interest berates and discount interest change by Agriculture Development Bank Limited.

His major Findings and Recommendations:

- The trend of total investment of development financing has increasing with growth rate 10.43%.
- The trend of total collection of development financing has also increasing with average growth rate 14.22.
- The trend of outstanding of development financing also increasing with growth rate 9.53%.
- The term wise loan disbursement, collection and outstanding is in fluctuating trend with varying average growth rates.

**Lekhak,(2010)** has conducted a research topic on “*A case study on loan management of Agriculture Development Bank Limited* “, focused on the loan management of the bank.

His main Objectives:

- To examine the total amount of loan disbursed with respect to total deposit within selected time period.
- To examine the loan disbursed under various heading.
- To measure the percentage of performing and nonperforming loan to total loan.
- To analyze the total loan recovery with respect the total loan disbursed and outstanding loan.
- To proved the recommendation and suggestion to the organization under study on the basis of the findings.

His major findings:

- Agriculture Development Bank Limited has successfully mobilized its increasing deposit in granting during the five year period.
- The highest percentage of loan collection to outstanding is 105.01% in fiscal year 2008/09 and also there exist positive relationship between loan collection and outstanding.
- Te outstanding table emphasizes the incremental trend of outstanding loan except agricultural sector, transportation instrument production.

His major Recommendations:

- Political influences in loan disbursement should be avoided as it may lead worse condition to the bank's loan management paroles.
- Agriculture Development Bank Limited has change into public limit; it should maintain the new commercial loan other than agricultural loan to attract more customers relating to agro and non agro business.
- Professionals should be given opportunity to manage the banks and introduce effective management to run the organizational independently. And unnecessary abstracts and disturbance of employee union should be minimized.
- The deposit collection is directly affecting the disbursement of loan so the bank should make positive effort to increase the deposit by providing equivalently high interest rate as of other.

### **2.3 Research Gap**

Above presented review of literature of various sources shows some relevancy with this research study. The focus of this study is to see the total disbursement of the Agriculture Development Bank Limited has how that loan disburse and collect by the Agriculture Development Bank Limited. Agriculture Development Bank Limited is making investment in the agricultural industry to the great extent. the main objectives of this research is to examine the loan disbursement, collection and outstanding pattern of Agriculture Development Bank Limited, evaluate the trend of loan investment and show the achievement of disbursed loan and find out the reasons for outstanding of delay in collection of loan/. Agriculture Development Bank Limited implemented different types of tools for collection and disbursed loan effectively. Thus there is gap between previous research and this research. I hope the effort put on this particular subject will be one of the valuable studies in this particular subject.

This study has used all possible financial and statistical tools to cover the objectives of this study. I have used Karl Pearson's correlation coefficient to check the relationship between the sampled variables coefficient of determination to know the dependency of dependent variable on independent variable. Hence, this study is significantly different from previous study. Effort on this particular subject will be found properly genuine and it will be recognized valuable study this particular subject.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The objectives of this studies to see the relationship between the figure of loan disbursement, collection and outstanding and analyze the purpose wise, term wise, type wise and region wise loan disbursement and collection and outstanding. The analyzing of trend of loan disbursement and repayment follows certain research methodology. This chapter shows what types of research methodology is followed in this study of loan disbursement and repayment of Agriculture Development Bank Limited. Here the chapter deals with research design procedure of data collection processing procedure statistical tools used and procedure employed for the study.

In other words this chapter deals about research methodology which is used for research purpose. Research is a system enquiry for seeking facts and methodology is the method of doing research in well manner. So, research methodology means the analysis of specific topic by using proper method. "The term research methodology refers to the various segmental steps to be adopted by a researcher in studying a problem with certain objectives in a view. It is describes the methods and process applied in the entire aspect of study", (*Kothari, 1994: 19*).

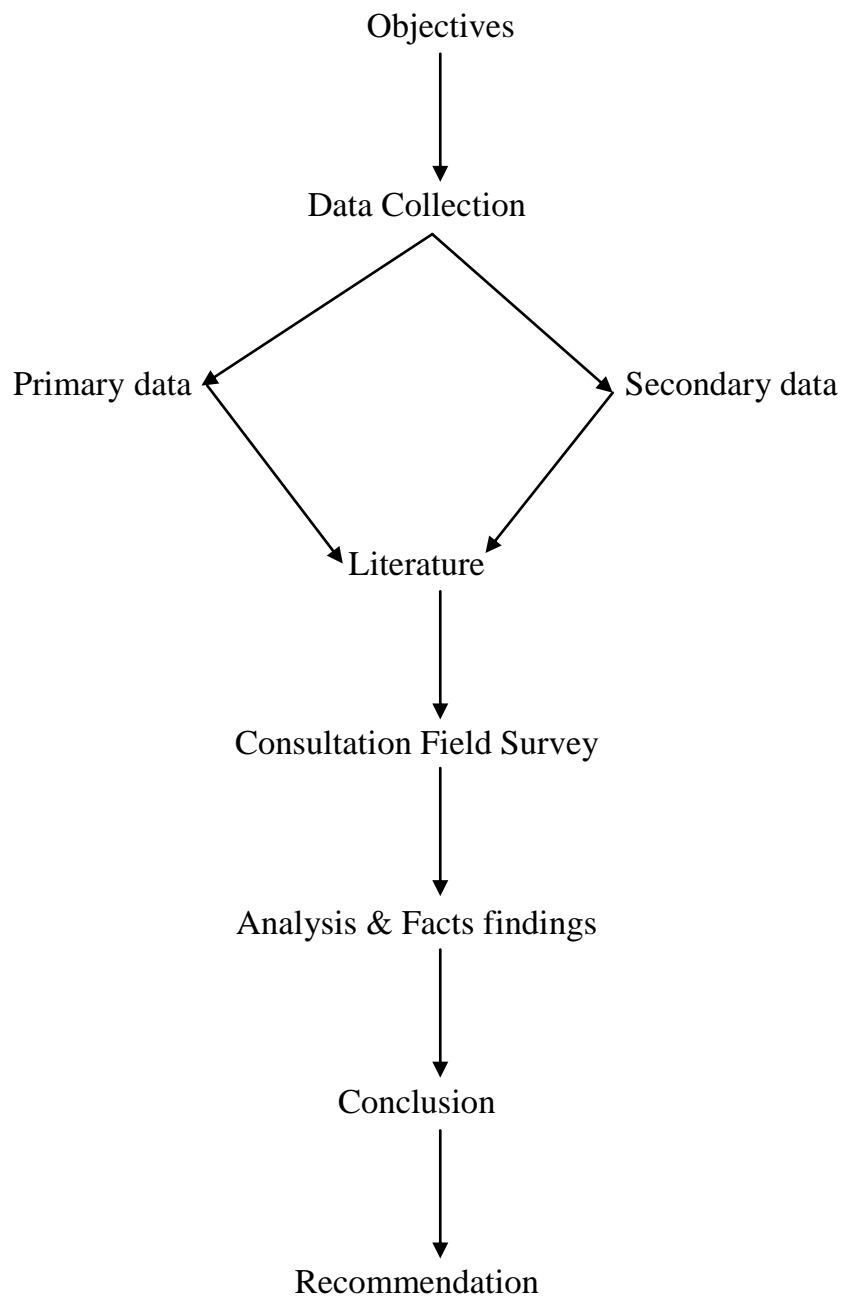
"This process of investigation involves a series of well thought out activities of gathering, recording, analyzing and interpreting the data with the purpose of finding answers to the problem. Thus the entire process by which we attempt to solve problems is called research" *Wolf and Pant (2000:203)*. It is significant to have appropriate choice of research methodology that helps to make this research study meaningful and more scientific. Therefore, appropriate methodology has been followed to meet the purpose objectives of the study. So, the methodologies of this research include the research design, research question, period covered, selection of enterprises, types and sources of data, data processing procedures, presentation of data and method of analysis.

Research Questions:

- Whether there is significant relationship between loan disbursement and collection?
- Whether there is significant relationship between loan disbursement and outstanding loan?

Flow chart given below shows the entire methodology of this study.

**Figure 3.1 : Methodology of the Study**



### **3.2 Selection of the Field**

ADBBL is being a large financial institution for delivering the agriculture credit needs of the country. Thus, the topic “Loan disbursement and Collection Procedure of Agriculture Development Bank Limited” is chosen because of the increasing demand of agricultural credit of Agriculture Development Bank Limited.

### **3.3 Procedure of Data Collection**

This study is mainly based on the secondary data most of the secondary data will be use from the central office of Agriculture Development Bank Limited and different bulletins of Agriculture Development Bank Limited as well NRB. So, all the analysis and interpretation of the data will be base on the data of secondary sources.

### **3.4 Data Processing Procedure**

Collection data for five year period i.e. form fiscal year 2065/66 to 2069/70 will be presented in tabular form. Tables are appeared to show various result of same period. Data will be processed in such a manner that makes clear picture about the loan disbursement and repayment.

### **3.5 Statistical Tools Used**

Various statistical tools will be used for the study to make cones and clear. In this study to test the hypothesis, Karl Pearson’s coefficient of correlations ( $r$ ) shall be used to verify the relationship between the loan disbursement and collection and outstanding loan. The ratio and percentage calculation will also be done in this study to signify the relation with factor like also disbursement collection and outstanding loan.

The Karl Pearson’s coefficient of correlation ( $r$ ) is used to test the significant relationship between the loan disbursement and collection and outstanding loan. To measure the level of significance ( $r$ ) is taken as significant if value of  $r$  is more than 6 times of probable error. So in this study, to find out the correlation different formulas

are used. Karl Pearson's coefficient of correlation between Loan Disbursement and Collection.

Let,

Loan disbursement = X

Loan collection = Y

Where,

$R_{xy}$

Correlation measures the degree of relationship the various while regression analysis shows how the variables are related, Regression and correlation analysis. Thus determines the nature and strength of relationship between two variables.

Regression equation of loan disbursement and collection.

Let,

The regression of Y on X be

The normal equation is  $Y = a + bx$

Where,

A and b re constant

X is the independent variable (collection and outstanding)

Y is the depended variable (disburse loan)

There are also to find the least square trend line of loan disbursement, collection and outstanding loan which helps to forecast the amount of coming year.

Let the straight line trend be

$Y = a + bx$

Where,

Y=loan disbursement/collection and outstanding loan

X=Year

a and b are constant

Karl Pearson's coefficient of correlation

$r =$

$R_{xy}$

Where,

$r =$ coefficient of correlation

$$x=(X-\bar{X})$$

$$y=(Y-\bar{Y})$$

x= Independent variable

y= Dependent variable

Following diagrams is considered to describe relationship between variables

if r is

-1	Perfect negative
-.70	Strong Negative
-.30	Weak Negative
0	Perfect Independence
+.30	Weak Positive
+.70	Strong Positive
+.10	Perfect Positive

### 3.6 Variables Studies

In this different depended and independent variables will be studied

Depended variable= loan disbursement

Independent variable= Collection and outstanding loan

### 3.7 Procedure Employed

In this study the following procedures would be employed as mentioned below.

- First, the available literature on the subject matter is collected
- On the basis the objective of the studies the data relating to this study are indentified and collected from different coerces.
- The data are classified and tabular red in different manner.
- The presentation and analysis of the data are done with percentage change; ratio analysis and statistical tools were also used in analyzing the data

Recommendations will be made on the basis of the analysis of the data.

## **CHAPTER IV**

### **PRESENTATION AND ANALYSIS OF DATA**

#### **4.1 Introduction**

This chapter is the main part of the study. The matter that is dealt with in this chapter relates exclusively to the loan disbursement, repayment and outstanding aspect of Agriculture Development Bank Limited. On the basis of several data regarding Agriculture Development Bank Limited's loan disbursement and collection, it is tried to present an overall collection situation of the loans granted by Agriculture Development Bank Limited to different purpose terms, types, and regions of agricultural development in Nepal. For this purpose, this chapter proceeds along the answer to the research questions. The details of analysis are depicted in the following sectors.

#### **4.2 Loan Disbursement, Collection and Outstanding**

The bank disburses loans to different channels for various purposes. The bank provides loan by purpose wise, term wise and region wise for the various purposes. Which intern helps for farm improvement and industrial development collection of due loan in time is an important aspect of the bank which determines the further expansion of bank's activates. If he cultivators repay the loan in time the bank gets chance to mobilize that collected amounts in other profitable areas. The efficiency of the bank is measured by the extent to which it collects the amount of due loan in time. Loan that cannot be recovered during the year is outstanding loans. Furthermore, it is the different between disbursement and repayment of loans. Here, the cumulative value of beginning to now.

% of collection to Disbursement = ( ) \* 100

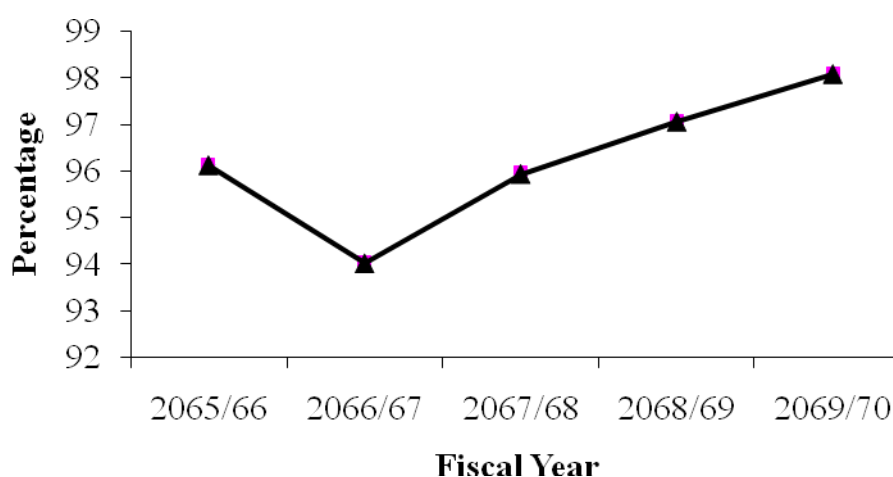
% of Collection to Outstanding = ( ) \* 100

**Table 4.1 : Loan Disbursement, Collection and Outstanding**

FY	Disbursement	Collection	Outstanding	% of Col. To Dis.	% of Coll. to Outs.
65/66	29285522	28155899	34440369	96.14	81.75
66/67	36335966	34171617	36604718	94.04	93.35
67/68	41915104	40218719	38301103	95.95	105.01
68/69	43729700	42448000	39582900	97.07	107.24
69/70	41374500	40584700	40372700	98.09	100.53

*Source: Annual report of corresponding Fiscal Year ADBL*

**Figure 4.1 : Percentage of Collection to Disbursement and Outstanding**



The table and figure show that the trend of loan disbursement repayment and outstanding in different fiscal years covered by the study area. Table 4.1, shows that, the flow of disbursement loan has gone up from Rs. 29285522 thousand in 65/66 to Rs. 41374500 thousand in 69/70. The collection and outstanding loans also have gone Rs. 28155899 thousand to 34440369 thousand in FY 65/66 to Rs 40584700 thousand and Rs. 40372700 thousand in FY 69/70.

The data from table 4.1 is plotted in Figure 4.1 with percentage in vertical axis and fiscal year on the horizontal axis. Viewing the figure 4.1 the percentage of collection to disbursement is highest in the FY 69/70 i.e. 98.09 percentage and lowest in the FY 66/67 i.e. 94.04 percentage. The percentage of collection to disbursement in FY 65/66 is 81.75 percentages, after that it is edged up to 98.09 percent in FY 69/70. But it is

slowly decline to 95.95 percent in FY67/68. In FY 67/68, 68/69 and 69/70 is in the increasing 95, 97, and 98 percent respectively.

The percentage of outstanding loan is highest in the FY 68/69 i.e. 107.24 percent and lowest in the FY 65/66 i.e. 81.76 percent. The percentage of collection to disbursement in FY FY65/66 is 81.75 percentages. After that, it is raises to 93.35 percent in the FY 66/67. From the FY 67/68 to 68/69, it is in the increasing trend i.e. from 105.01 percent to 107.24 percent. But it is decaling to 100.23 percent in FY 69/70.

$$\text{Annual Growth} = \{ \} * 100$$

**Table 4.2 : Annual Growth of Disbursed Loan**

Rs. In Thousand

<b>FY</b>	<b>Disbursement</b>	<b>Annual Growth</b>
65/66	29285522	-
66/67	36335966	24.0748449
67/68	41915104	15.3543131
68/69	43729700	4.32921746
69/70	41374500	-5.3858133
<b>Average Growth Rate Per Annum</b>		<b>9.59</b>

Source: Annual Report of Agriculture Development Bank Limited

**Figure 4.2 : Annual Growth of Disbursed Loan**

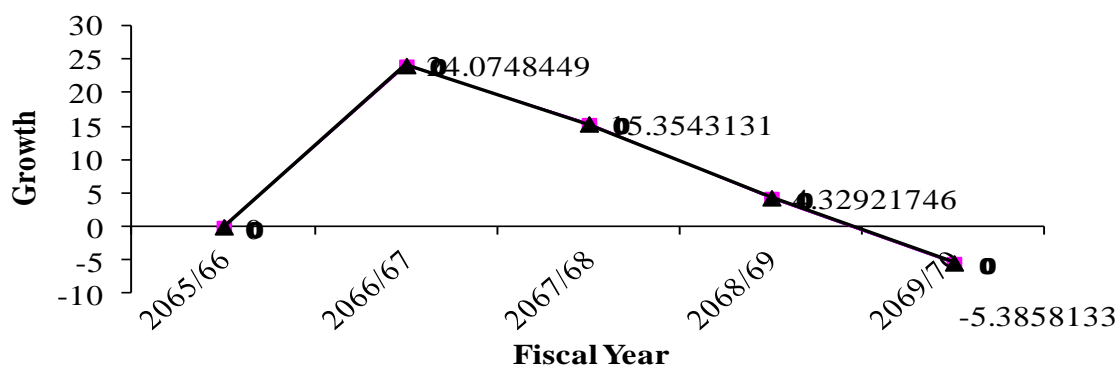


Table 4.2 show that Agriculture Development Bank Limited aggregate loan disbursement reached to Rs. 41374500 thousand in the FY 69/70 from Rs. 29285522 in the fiscal year 65/66 which has shown an average growth of 9.59 percent per annum.

The data from the Table 4.2 is plotted in figure 4.2 with loan disbursement on the vertical axis and fiscal year on the horizontal axis. From the figure 4.2, it is clear that the annual growth rate each year increase except 69/70. Between the FY 65/66 to 69/70 the year to year growth rates of loan disbursement of Agriculture Development Bank Limited varied from a lowest -5.39 in 69/70 to highest 24.08 in FY 66/67. It is increasing rate until 68/69 than decrease diminishing marginal rate. The least square trend line of loan disbursement,  $y=38528158+3392689x$ .

$$\text{Annual Growth} = \left\{ \frac{\Delta}{\text{Base}} \right\} * 100$$

**Table 4.3 : Annual Growth of Collection Loan**

Rs. In Thousand

FY	Collection	Annual Growth
65/66	28155899	0
66/67	34171617	21.36
67/68	40218719	17.69
68/69	42448000	5.54
69/70	40584700	-4.38
Average Growth Rate Per Annum		10.05

Source : Annual Reports of Corresponding Fiscal Year

**Figure 4.3: Annual Growth of Collection Loan**

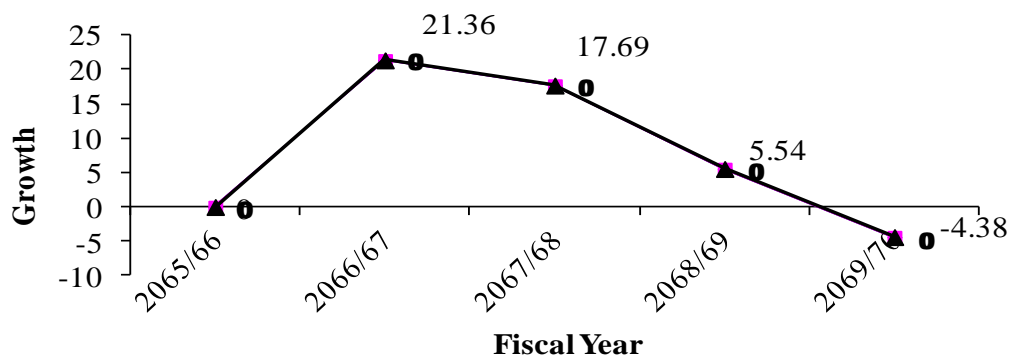


Table 4.3 shows that Agriculture Development Bank Limited's total principal collection increased from Rs. 28155899 thousand in FY 65/66 to 40584700 thousand in FY 69/70, which has shown an average growth rate 10.05 percent per annum.

The data table 4.3 is plotted in the figure 4.3 with principle collection on the vertical axis and fiscal year on horizontal axis. Form the figure 4.3 it is clear that the annual growth rate of each year is increasing. Between the fiscal year 65/66 to 69/70, the year to year growth rates accept 69/70 of principal collection of Agriculture Development Bank Limited varied from a lowest -4.9 percentage in 69/70 to a highest 21.37 percentage in 66/67. Least squire trend line of principal collection,  $y=37115787+3313398.5x$ . (Appendix II)

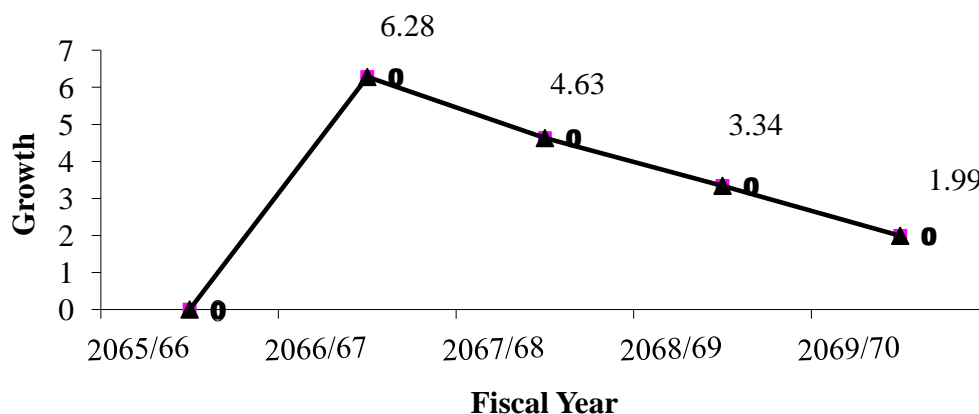
**Table 4.4 : Annual growth of Outstanding Loan**

Rs. In Thousand

Fiscal Year	Outstanding	Annual Growth
65/66	34440369	-
66/67	36604718	6.28
67/68	38301103	4.63
68/69	39582900	3.34
69/70	40372700	1.99
Annual growth rate		4.06

$$\text{Annual Growth} = \left\{ \frac{\text{Outstanding}_{t+1} - \text{Outstanding}_t}{\text{Outstanding}_t} \right\} * 100$$

**Figure 4.4 : Annual growth of Outstanding Loan**



$$\text{Annual Growth} = \left\{ \frac{\text{Outstanding}_{t+1} - \text{Outstanding}_t}{\text{Outstanding}_t} \right\} * 100$$

Table 4.4 shows that Agriculture Development Bank Limited's total outstanding loan increased from 34440369 thousand in fiscal year 65/66 to Rs. 40372700 in fiscal year 69/70, which has shown an average growth, rate 4.07 percentages per annum.

The data of Table 4.4 are plotted in figure 4.4; it is clear that annual growth rate of each year decrease. In the fiscal years 66/67 to 69/70 the growth rate increased at the increasing rate, it is increasing with diminishing marginal rate. The least square trend line of outstanding loan  $y=37860358+1484284.4x$  (Appendix III).

### **4.3 Purpose Wise Loan Disbursement, Collection and Outstanding**

#### **4.3.1 Purpose Wise Loan Disbursement of Agriculture Development Bank Limited**

From the table 4.5, it can be assumed that although the total loan disbursement is in increasing trend, the movement of loan disbursement for different purposes is fluctuating and irregular path. The total loan investment increased from Rs. 26943522 thousand in Fiscal Year 65/66 to Rs. 42276600 thousand in Fiscal Year 69/70. The highest investment has been proceeding in wholesaler and retailer activity and that of lowest in mines and transportation tools production due to various complicated situation happening in the country. In above table there are some negative growths which indicate there is constantly declining and or fluctuating investment.

**Table 4.5 : Purpose Wise Loan Disbursement of Agriculture Development Bank Limited**

Rs. In Thousand

	65/66	66/67	67/68	68/69	69/70	Growth
Agriculture	5296964	4776100	3653800	5158300	4343700	-1.98681
Minerals	3730	0	0	0	0	-0.25
Production	260296	3445600	5920500	5520800	7200600	329.8068
Manufacturing	561890	1087000	929300	1071600	749200	16.04329
Metal prodn., mech. agri. tools and fittings	173814	72100	51700	15400	51800	19.83449
Trans. tools prodn. and fittings	43024	32200	0	0	0	-8.765
Trans, media and public utility service	164817	187300	104700	153600	10900	-19.1645
wholesaler and retailer	8785656	12481700	13323800	13915100	13789100	13.08705
finance insurance and fixed assets	635023	306700	324400	289400	325400	-11.0703
service industry	1210232	1095300	1001500	1236100	1050600	-2.41064
Other service industry	1629137	1320200	2021400	2303600	2268900	11.65105
Consumer loan	1105726	380400	1139900	1361800	2611400	61.32213
Others	7073213	11151400	13441100	12704100	9875000	12.60931
Total	26943522	36336000	41912100	43729800	42276600	12.8049

*Source: Annual report of Agriculture Development Bank Limited*

#### **4.3.2 Purpose Wise Loan Collection of Agriculture Development Bank Limited**

Agriculture Development Bank Limited have been providing loan on different sectors such as agriculture, manufacturing, marketing etc. to develop the different sectors of economy and the collection of different sector's loan are as follows:

**Table 4.6 : Purpose Wise Loan Collection of Agriculture Development Bank  
Limited**

Rs. In Thousand

Purpose	65/66	66/67	67/68	68/69	69/70	Growth
Agriculture	4792954	4808300	5240300	5622300	4216900	-2.10065
Minerals	3050	0	3000	4000	0	-0.23
Production	2723360	3173900	5078100	5129500	6026500	23.7596
Manufacturing	327328	835500	658000	964600	787400	40.55731
Metal prdn, mech. agri tools and fittings	165838	60100	51800	37600	47300	-19.7963
Trans. tools prodn and fittings	46276	35000	0	1200	600	-11.23
Trans, media and public utility service	268356	206700	152000	271500	105200	-8.0182
wholesaler and retailer	8799062	11771300	12676700	13095900	14004500	12.92888
finance insurance and fixed assets	613317	340800	459600	287100	269500	-13.3093
service industry	1007171	905700	961200	1132700	928200	-1.03973
Other service industry	1388028	1038200	1615400	2107200	2143000	15.6341
Consumer loan	1028174	287200	514400	1158400	2243700	56.48141
Others	6992985	10708900	12815300	12635900	9611800	11.86872
Total	28155899	34171600	40225800	42447900	40384600	9.936506

Above table of loan collection shows that although purpose wise loan collection is in fluctuating trend, total loan collection is in increasing movement from Rs. 28155899 thousand in FY 65/66 to Rs. 40384600 thousand in 69/70. The highest collection has been found wholesaler and that lowest in minerals the collection table emphasizes incremental trend of collection in all sectors except mines and transportation tools production and fittings.

### 4.3.3 Purpose Wise Outstanding Loan of Agriculture Development Bank Limited

Outstanding loan position of Agriculture Development Bank Limited on different sectors on the due date 69/70 is as follows:

**Table 4.7 : Purpose Wise Outstanding Loan of Agriculture Development Bank Limited**

Rs. In Thousand

Purpose \ Fiscal Year	65/66	66/67	67/68	68/69	69/70	Growth
Agriculture	10616060	10583900	8997400	8533300	9022800	-3.67862
Minerals	3259	3200	4000	0	0	-1.81
Production	4120381	4392200	5234600	5625900	5880000	9.442066
Manufacturing	1598593	1850000	2128500	2235500	2495400	11.85847
Metal prdn, mech. agri tools and fittings	411607	423600	423500	401300	131600	-17.3896
Trans. tools prodn and fittings	96323	93600	93500	92400	92500	-1.00051
Trans, media and public utility service	492489	473100	425700	307800	349000	-7.06655
wholesaler and retailer	8953228	9663600	10310700	11130000	10756500	4.805209
finance insurance and fixed assets	896686	862500	727400	729700	785600	-2.87484
service industry	1633698	1823300	1863600	1966900	2103800	6.5798
Other service industry	1651770	1933700	2342500	2538800	2529200	11.55274
Consumer loan	1266304	1359500	1985000	2188400	2811000	23.01653
Others	2699971	3142500	3768200	383300	3415400	184.3811
Total	34440369	36604700	38304600	36133300	40372800	4.248165

As shown in loan outstanding table, the total loan outstanding is seemed to be increasing constantly, which is not good for the bank. The total loan outstanding is increased from Rs. 34440369 Thousand in fiscal year 65/66 to Rs. 40372800 Thousand in fiscal year 69/70. The highest outstanding loan has been viewed in wholesaler and retailer sector followed by agriculture and lowest outstanding loan is in mines in transportation instrument production. The outstanding table emphasizes the incremental trend of outstanding loan except finance and insurance transportation instrument production. The highest outstanding in the case of wholesales and retails sector is because of its prior banking activities which is only focused on the agriculture.

#### 4.4 Term Wise Loan Disbursement and Collection

##### 4.4.1 Loan Disbursement of Agriculture Development Bank Limited by Term Wise

The term wise disbursement of loan of Agriculture Development Bank Limited is as follows:

**Table 4.8 : Loan Disbursement of Agriculture Development Bank Limited by Term Wise**

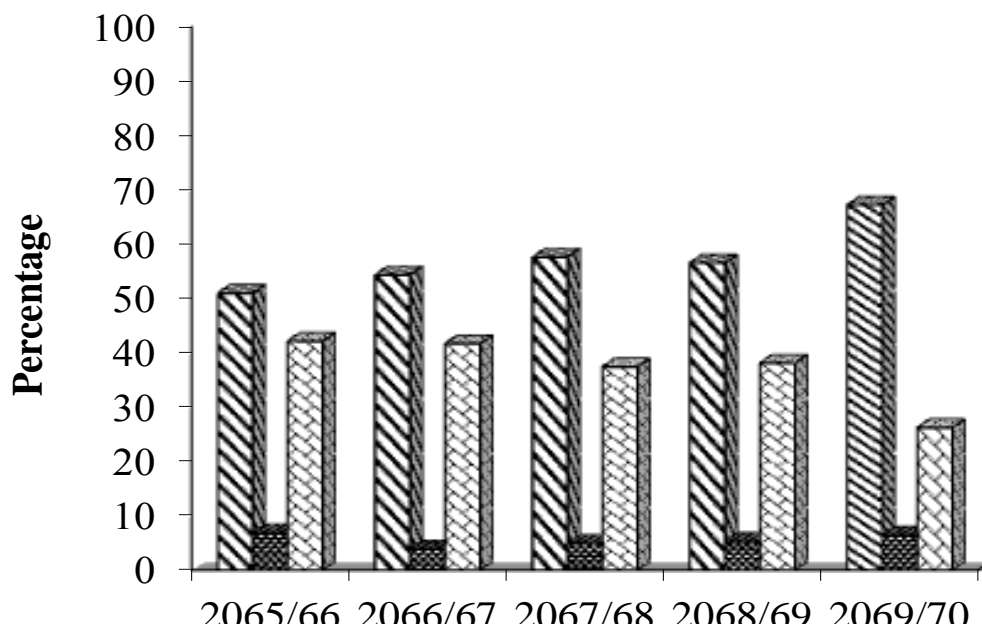
Rs. In Thousand

FY	Short Term		Medium Term		Long term		Annual Total	
	Amount	%	Amount	%	Amount	%	Amount	%
65/66	13736199	50.98	1845975	6.85	11361348	42.16	26943522	100
66/67	19753500	54.36	1424500	3.92	15158000	41.71	36336000	100
67/68	24155300	57.63	2073100	4.94	15683700	37.42	41912100	100
68/69	24745000	56.58	2319000	5.30	16665800	38.11	43729800	100
69/70	24030700	67.25	2320700	6.49	9377600	26.24	35729000	100
<b>Total</b>	106420699	57.63	9983275	5.40	68246448	36.96	184650422	
Average	16.41		8.66		-0.15		9.06	

*Note: The percentage columns indicate the percentage of Annual Total*

*Source: Annual Reports of Corresponding Fiscal Year of Agriculture Development Bank Limited*

**Figure 4.5 : Loan Disbursement of Agriculture Development Bank Limited by Term Wise**



Viewing the disbursement term wise, the flow of short term loan has gone up Rs. 13736199 Thousand (50.98 Percent of Total) in 2065/66 to Rs. 24030700 Thousand (67.26 Percent of Total) in 2069/70. The medium Term loan disbursements also have gone up from Rs, 1845975 Thousand (6.85 percent of total) in 2065/66 to Rs. 11361348 (42.17 percent of total) thousand in 2069/70 while, the long-term disbursement loan has gone down 11361348 thousand (42.17 percent of Total) in 65/66 to Rs. 9377600thousand (26.25 percent o total) in 2069/70.

In terms of composition of total disbursement, the short term total loan increase 67.26 percent in 2069/70 from 50.98 percent in 2065/66. The long-term total loan also edged up 26.25 percent in 2069/70 from 42.17 percent in 2065/66, while the medium term total loans edged down 6.5 percent in 2069/70 from 6.85 percent in 2065/66. Between fiscal year, 2065/66 to 2069/70, the average growth rates for the total short term, total medium term and total long term loan disbursements revealed 16.14,8.66 and -0.15 percent respectively. The increase in short term total loan is the result of high emphasis given by the bank to lend largely in agriculture and consumer loan.

During the period 2065/66 to 2069/70, Agriculture Development Bank Limited disbursed total amount of Rs. 26018731 thousand in credit. About 57.63percent of these disbursements went to finance the agriculture, production and others for short term. Around 5.41 percent went to finance farm mechanization and transportation etc. investments as medium term loan. The remaining 36.96 percent for long term loans to finance such investment as: minerals, manufacturing, transportation, whole shell, finance and services. (Table 4.8)

#### 4.4.2 Term Wise Loan Collection

Term wise loan collection of Agriculture Development Bank Limited up to the date 69/70 is as follows:

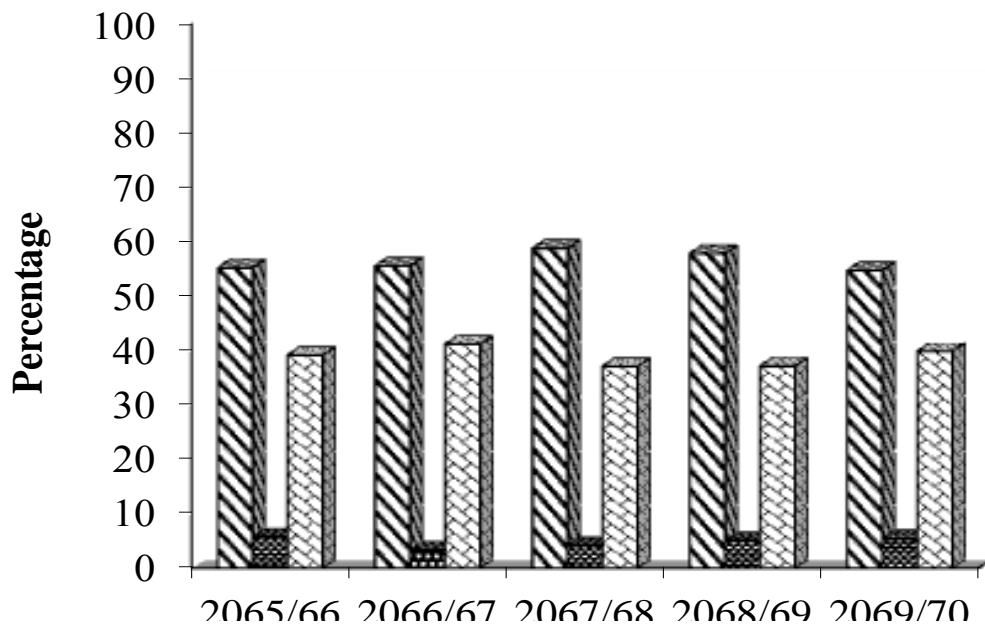
**Table 4.9 : Term Wise Loan Collection**

FY	Short Term		Medium Term		Long term		Annual Total	
	Amount	%	Amount	%	Amount	%	Amount	%
65/66	15537473	55.18	1600142	5.68	11018284	39.13	28155899	100
66/67	18978300	55.53	1133300	3.31	14060000	41.14	34171600	100
67/68	23648100	58.78	1667200	4.14	14910500	37.06	40225800	100
68/69	24546100	57.82	2146000	5.05	15755800	37.11	42447900	100
69/70	22098900	54.72	2190900	5.42	16094800	39.85	40384600	100
Total	104808873	56.53	8737542	4.71	71839384	38.75	185385799	

*Note: the percentage columns indicate the percentage of annual total.*

*Source: Annual Reports of Corresponding Fiscal Year, Agriculture Development Bank Limited*

**Figure 4.6 : Term Wise Loan Collection**



The above table 4.9 and figure 4.6 Show that the collection of principal for short, medium and long-term during the period 65/66 to 69/70. The collection of medium term loan has reached to Rs. 2190900 thousand (5.43 percent of total) in 69/70 from Rs. 1600142 thousand (5.68 percent of total) in 65/66. The short term and long term principal collections also have gone up from Rs 15537473 thousand and 11018284 65/66 to Rs. 22098900thousand and Rs. 16094800 respectively in 69/70. In terms of composition of total collections the short loans edged down 55.18 percent in 65/66 to 54.72 percent in 69/70.

#### **4.4.3 Term Wise Loan outstanding**

Term wise loan outstanding of Agriculture Development Bank Limited up to 69/70 is as follows:

**Table 4.10 : Term Wise Loan Outstanding**

Rs. In Thousand

FY	Short Term		Medium Term		Long term		Annual Total	
	Amount	%	Amount	%	Amount	%	Amount	%
65/66	18702716	54.30	2159700	6.27	13577953	39.42	34440369	100
66/67	19478100	53.21	2450900	6.69	14675700	40.09	36604700	100
67/68	19985200	52.17	2859500	7.46	15459900	40.36	38304600	100
68/69	16730900	46.30	3032500	8.39	16369900	45.30	36133300	100
69/70	21129200	52.33	2753300	6.81	16490300	40.84	40372800	100
Total	96026116		13255900		76573753		185855769	
Average Growth	4.19		6.75		5.013		4.25	

*Note: the percentage columns indicate the percent of Annual total*

*Source Annual reports of Corresponding Fiscal year Agriculture Development Bank Limited*

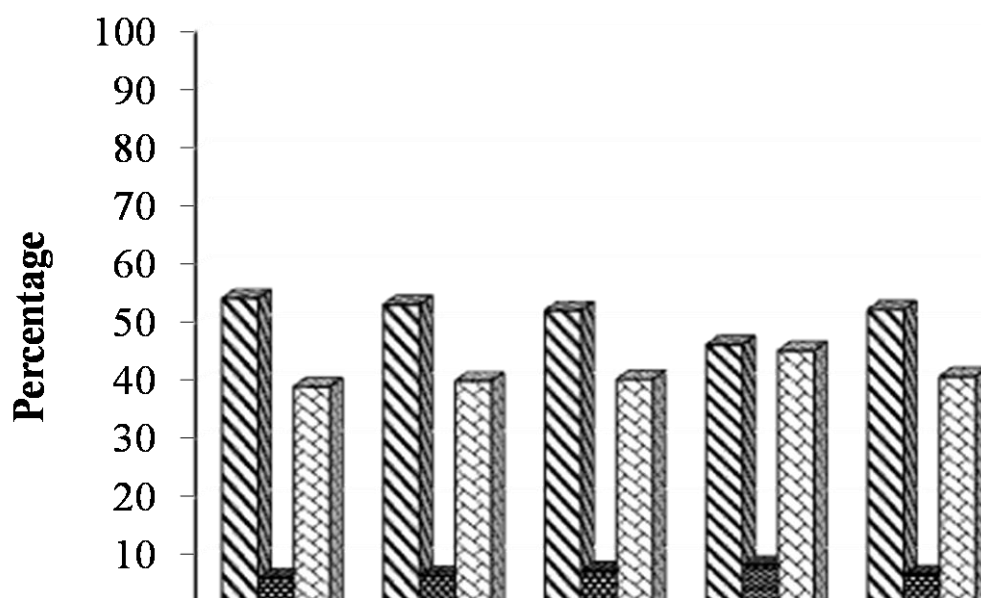
**Figure 4.7 : Term Wise Loan Outstanding**

Table 4.10 and Figure 4.7 show the outstanding loan for short term, medium term and long term during the period of 65/66 to 69/70. The outstanding loan of medium term has reached to Rs. 2753300 thousand (6.82 percent of total) in 69/70 from 2159700 thousand (6.27 percent of total) in 65/66. The short term and long term outstanding

loan also have gone up from Rs. 18702716 thousand and Rs. 13577953 thousand in 65/66 to Rs. 21129200 thousand and Rs. 16490300 thousand respectively in 69/70. In terms of composition of total outstanding amount the short term loan edged down 54.31 percent in 65/66 to 52.34 percent in 69/70 while medium term loans edged up 6.27 percent in 65/66 to 6.82 percent in 69/70. Proportion of long term loan has also edged up 39.43 percent in 65/66 to 40.85 percent in 69/70. Between fiscal years 65/66 and 69/70, the average growth rate for the short medium and long term outstanding loans have estimated at 4.19, 6.15 and 5.01 percents respectively. The increase or decrease in the share of outstanding loan is directly related to the increase or decrease of loan disbursement and inversed to the principal collection.

#### 4.4.4 Loan Disbursement, Collection and Outstanding for Short-term Loan

The Disbursement, collection and outstanding of short term loan of Agriculture Development Bank Limited up to the period 69/70 and percentage of collection to disbursement and percent of collection to outstanding is as follows:

**Table 4.11 : Loan Disbursement, Collection and Outstanding for Short-term Loan**

Rs. In Thousand

F Y	Disbursement	Collection	Outstanding	% of Col. To Dis.	% of Col. To Outs.
65/66	13736199	15537473	18702716	113.11	83.07
66/67	19753500	18978300	19478100	96.07	97.43
67/68	24155300	23648100	19985200	97.90	118.32
68/69	24745000	24546100	16730900	99.19	146.71
69/70	24030700	22098900	21129200	91.96	104.58
Average Percentage				99.64	110.02

*Source: Annual Reports of corresponding Fiscal Year of Agriculture Development Bank Limited*

Above table 4.11 shows that there are increasing trends of loan disbursement, collection and outstanding for short-term period during the fiscal years 65/66 to 68/69 and decreases without outstanding. The flow loan disbursement of short term loan has

bone up from Rs. 13736199 thousand in 65/66 to Rs. 24030700 thousand in 69/70. The collection and outstanding loan also have gone up from Rs. 15537473 thousand and Rs. 21129200 thousand respectively in years 69/70. Viewing the above table, the percentage of collection to disbursement is highest in the 65/66 fiscal year i.e. 113.113 percent and lowest in the 69/70 fiscal year 91.96 percent. The percentage of collection and outstanding is highest in the 68/69 fiscal year i.e. 146.71 percent and lowest in the 65/66 fiscal year i.e. 83.08 percent. Between fiscal year 65/66 and 69/70, the average percentage of collection to disbursement and collection to outstanding have 99.65 percent and 110.03 percent respectively for short- term loan .

#### **4.4.5 Loan Disbursement, Collection and Outstanding for Medium-term Loan**

The Disbursement, collection and outstanding of Mid term loan of Agriculture Development Bank Limited up to the period 69/70 and percentage of collection to disbursement and percent of collection to outstanding is as follows:

**Table 4.12 : Loan Disbursement, Collection and Outstanding for Medium-term Loan**

Rs. In thousand

F Y	Disbursement	Collection	Outstanding	% of Col. To Dis.	% of Col. To Outs.
65/66	1845975	1600142	2159700	86.68	74.09
66/67	1424500	1133300	2450900	79.55	46.24
67/68	2073100	1667200	2859500	80.42	58.30
68/69	2319000	2146000	3032500	92.53	70.76
69/70	2320700	2190900	2753300	94.40	79.57
Average Percentage				86.72	65.79

Table 4.12 shows that there are increasing trends of loan disbursement, collection and outstanding for medium term during the period 65/66 to 69/70 without 66/67 disbursement, and collection and 69/70 outstanding. The flow of loan disbursement has gone up from Rs. 1845975 thousand in 65/66 to Rs. 2320700 thousand in 69/70. The collection and outstanding loan also have gone up from 1600142 thousand and

2159700 thousand in 65/66 to Rs. 2190900 thousand and Rs. 2753300 thousand respectively in 69/70. The percentage of collection to disbursement is highest in the 69/70 fiscal year 94.41 percent and lowest in the 66/67 fiscal year i.e. 79.56 percent. The percentage of repayment to outstanding is highest in the 69/70 fiscal year i.e. 79.57 percent and lowest the 66/67 fiscal year i.e. 46.24 percent. Between fiscal year 65/66 and 69/70, the average percentage of repayment to disbursement and collection to outstanding have 86.72 percent and 65.80 percent respectively for medium- term loan .

#### **4.4.6 Loan Disbursement, Collection and Outstanding for Long-Term Loan**

The Disbursement, collection and outstanding of long term loan of Agriculture Development Bank Limited up to the period 69/70 and percentage of collection to disbursement and percent of collection to outstanding is as follows:

**Table 4.13 : Loan Disbursement, Collection and Outstanding for Long-Term Loan**

F Y	Disbursement	Collection	Outstanding	% of Col. To Dis.	% of Col. To Outs.
65/66	11361348	11018284	13577953	96.98	81.14
66/67	15158000	14060000	14675700	92.75	95.80
67/68	15683700	14910500	15459900	95.07	96.44
68/69	16665800	15755800	16369900	94.53	96.24
69/70	9377600	16094800	16490300	171.63	97.60
Average Percentage				110.19	93.44

Table 4.13 shows that the loan disbursement, collection and outstanding for long term during the period 65/66 to 69/70; the flow of loan disbursement has gone down from Rs. 11361348 thousand in Fiscal year 65/66 to Rs 0377600 thousand in Fiscal year 69/70. The collection and outstanding loan have gone up from Rs. 11018284 thousand and Rs. 13533953 thousand in Fiscal year 65/66 to Rs. 16094800 thousand and 16490300 thousand respectively in FY 69/70. Viewing the above table, the percentage of collection to disbursement is highest in 69/70 Fiscal year i.e. 171.63 percent, it is

due to the low disbursement amount at that year. The percentage of collection to disbursement is highest in the 69/70 171,63and is lowest in the 66/67 fiscal year 92.76 percent. The percentage of collection to outstanding is highest in the 69/70 fiscal year i.e. 97.60 percent and lowest in the 65/66 fiscal year i.e. 81.15 percent. Between fiscal years 65/66 and 69/70, the average percentage of collection to disbursement and collection to outstanding have 110.20 percentage and 93.45 percent respectively for long term loan.

#### 4.5 Region Wise Loan Disbursement, Collection and Outstanding

##### 4.5.1 Region Wise Loan Disbursement of Agriculture Development Bank Limited

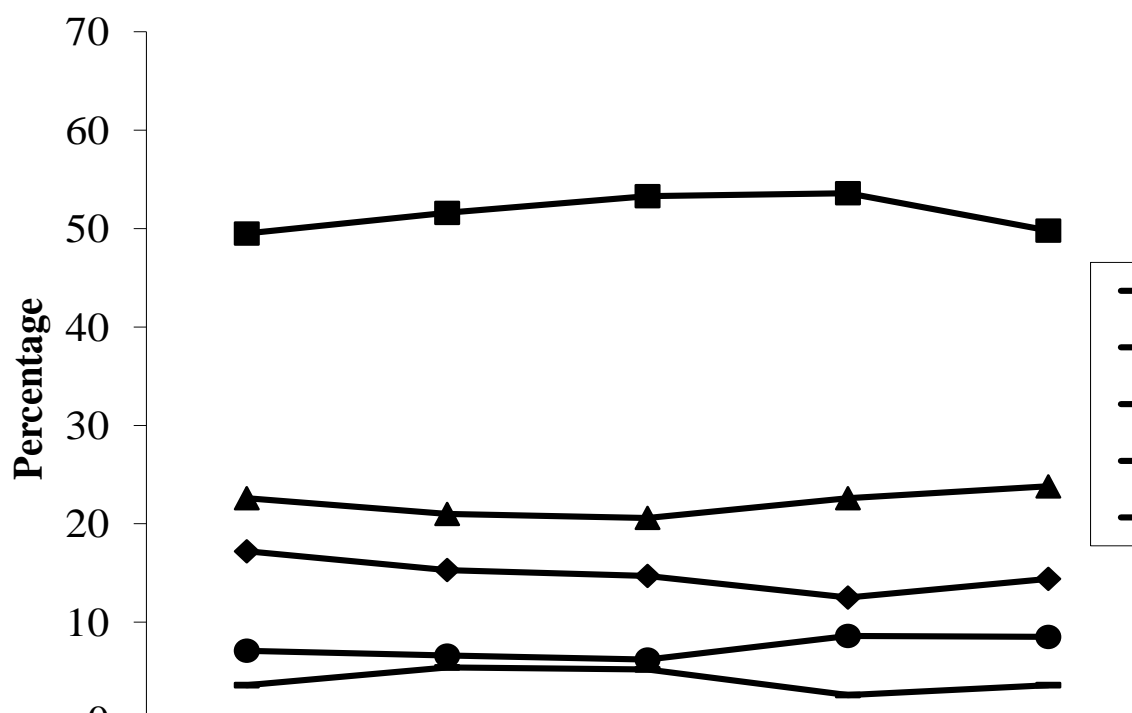
The region wise loan disbursement collection and outstanding as follows:

**Table 4.14 : Region Wise Loan Disbursement of Agriculture Development Bank Limited**

Rs. In thousand

FY	Eastern		Central		Western		Mid Western		Far Western		Annual Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
65/66	5030036	17.2	14484187	49.5	6632210	22.6	2090470	7.1	1048619	3.6	29285522	100
66/67	5558206	15.3	18761307	51.6	7645932	21	2407630	6.6	1962891	5.4	36335966	100
67/68	6154472	14.7	22328246	53.3	8649427	20.6	2595995	6.2	2186964	5.2	41915104	100
68/69	5483614	12.5	23436352	53.6	9891527	22.6	3766486	8.6	1151721	2.6	43729700	100
69/70	5947253	14.4	20608225	49.8	9836253	23.8	3502541	8.5	1490324	3.6	41384596	100
Total	28173581		99618317		42655349		14363122		7840519		192650888	
Average Growth		4.7		10.4		10.6		15		20		38.4

**Figure 4.8 : Region Wise Loan Disbursement of Agriculture Development Bank Limited**



The structure of disbursement of loans in various development regions gives a critical picture of mid-western and far western development regions. The volumes of disbursement are recorded at Rs. 5030036 thousand, Rs. 14484187 thousand, Rs. 6632210 thousand, Rs.2090470 thousand, and 1048619 thousand in 65/66 in the Eastern, Central, Western, Mid-Western, and Far-Western development regions respectively. Between Fiscal Years 65/66 and 69/70, the loan disbursement of Agriculture Development Bank Limited in Eastern, Central, Western, Mid-Western, and Far-western development regions grew with an average rate of 4.7 percent, 10.4 percent, 10.6 percent, 15 percent and 20 percent respectively. (Table no 4.14)

The data in above table 4.14 are plotted in above figure 4.8. Viewing the figure, 4.8 the contribution of development regions on loan disbursement of Agriculture Development Bank Limited varied from low of 4.1 percent in the Far western Development region to a high of 51.7 percent in the Central development region, during the same interval of time.

#### 4.5.2 Loan Collection of Agriculture Development Bank Limited by Development Region

The structure of principal collection in various development regions gives a critical picture of Mid- Western and Far-western development regions. The volumes of principal collection are recorded of Rs. 4883207 thousand, Rs.13938679 thousand, Rs.6217026 thousand, Rs. 1987616 thousand, and Rs. 1129371 thousand in 65/66 in the Eastern, Central, Western, Mid-Western, and Far-Western development regions respectively. These volumes of collection have increased respectively to Rs. 5960267 thousand, Rs. 19750787 thousand, Rs. 9505046 thousand, Rs. 3252881 thousand and Rs.1466408 thousand in 69/70, the loan collection of Agriculture Development Bank Limited in the eastern, Central, Western, Mid-Western, and Far-Western development regions grew with an average rate of 6.29, 10.1, 11.4,15 and 20 percents respectively. (table 4.15)

**Table 4.15 : Loan Collection of Agriculture Development Bank Limited by Development Region**

Rs. In Thousand

FY	Eastern		Central		Western		Mid Western		Far Western		Annual Total		
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	
65/66	4883207	17	13938679	50	6217026	22	1987616	7.1	1129371	4	28155899	100	
66/67	5457573	16	16993320	50	7257973	21	2303160	6.7	2159491	6.3	34171517	100	
67/68	6400065	16	20383253	51	8407920	21	2602454	6.5	2425027	6	40218719	100	
68/69	5162028	12	22932242	54	9448429	22	3780839	8.9	1124462	2.6	42448000	100	
69/70	5960267	15	19750787	50	9505046	24	3252881	8.1	1466408	3.7	39935389	100	
Total	27863140	15	93998281	51	40836394	22	13926950	7.5	8304759	4.5	184929524		
Average Growth													
6.29		10.1		11.4		15		20		9.67			

Source: Annual Report of Agriculture Development Bank Limited

**Figure 4.9 : Loan Collection of Agriculture Development Bank Limited by Development Region**

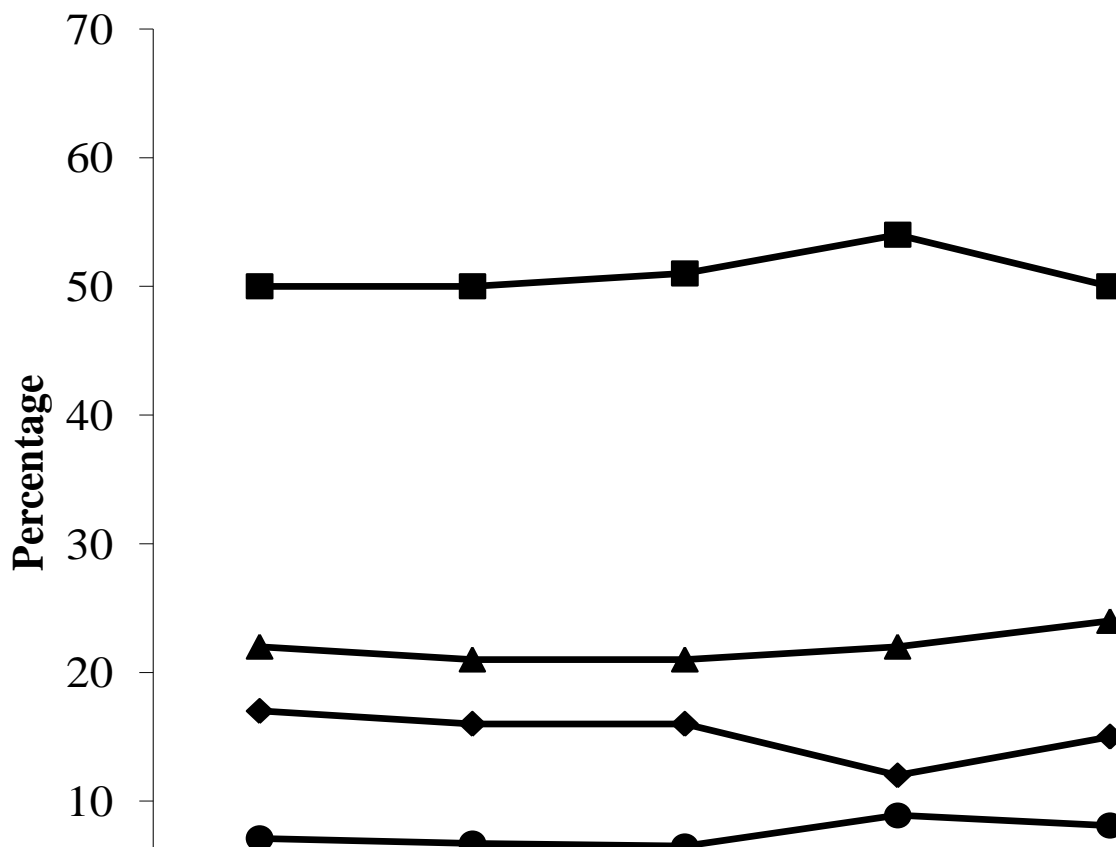


Figure no 4.9 Share of Development Regions on Collection loan of Agriculture Development Bank Limited. The data in the Table of 4.15 plotted in figure 4.9. Viewing the figure 4.9 the contribution of development regions on principal collection of Agriculture Development Bank Limited varied from a low of 4.5 percent in the Far-Western development region to high of 50.8 percent in the Central development Region during the same span of time.

#### **4.5.3 Region Wise Loan Outstanding**

The region wise loan outstanding of Agriculture Development Bank Limited up to the period 69/70 and percentage of outstanding is as follows:

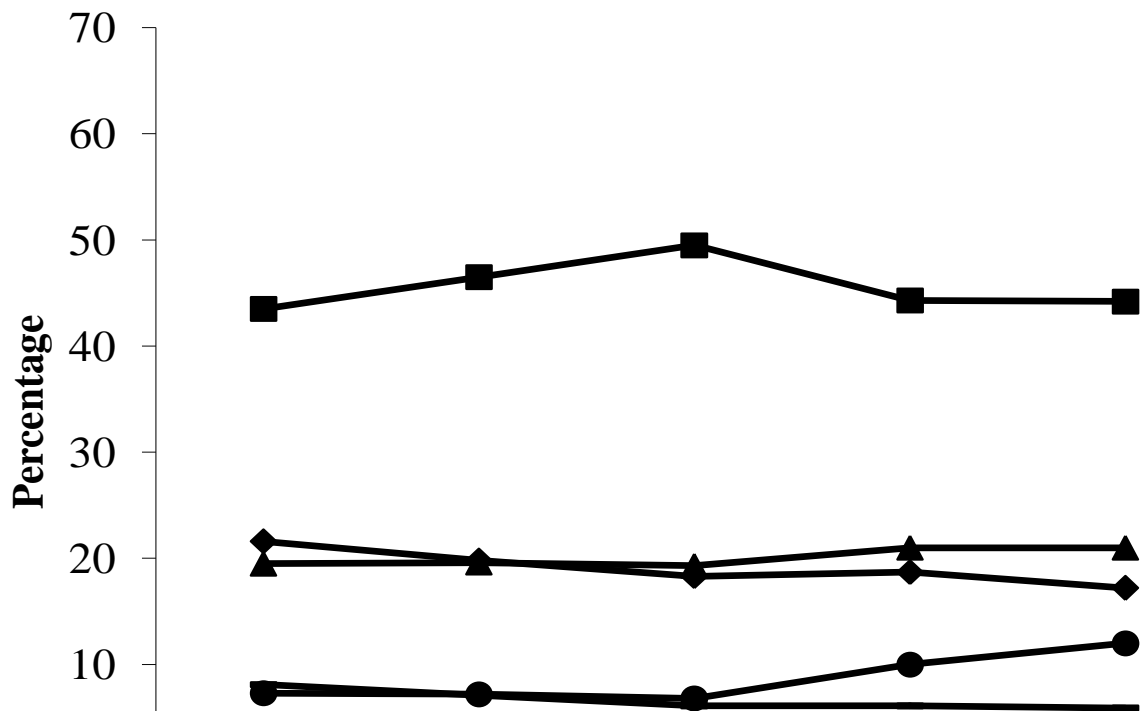
**Table 4.16 : Region Wise Loan Outstanding**

Rs. In Thousand

FY	Eastern		Central		Western		Mid Western		Far Western		Annual Total	
	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
65/66	7439210	21.6	14969245	43.5	6744780	19.6	2512616	7.3	2774518	8.1	34440369	100
66/67	7236947	19.8	17016773	46.5	7140235	19.5	2623696	7.2	2587067	7.1	36604718	100
67/68	6991354	18.3	18961766	49.5	7381742	19.3	2617237	6.8	2349004	6.1	38301103	100
68/69	7383619	18.7	17524862	44.3	8309664	21	3952042	10	2412713	6.1	39582900	100
69/70	6954777	17.2	17853390	44.2	8485224	21	4710196	12	2379394	5.9	40382981	100
Total	36005907	19	86326036	45.6	38061645	20.1	16415787	8.7	12502696	6.6	189312071	
Average Growth	-1.6		4.85		5.98		19		3.7		4.07	

The structure of outstanding loans in various development regions gives a critical picture of Mid- Western and Far-Western regions. The volumes of outstanding loan are recorded at Rs. 7439210 thousand, Rs.14969245 thousand, 6744780 thousand, Rs. 2812616 thousand and Rs. 2774518 thousand in 65/66 in the Eastern, Central, Western, Mid-Western, and Far-Western development regions respectively. Thus, volumes of outstanding loan have increased respectively to Rs6954777 thousand, Rs.17853390 thousand, Rs. 8485224 thousand, Rs. 4710196 thousand and Rs. 2379394 thousand in 69/70 in the Eastern, Central, Western, Mid-Western and Far-Western Development regions. Between Fiscal Years 65/66 to 69/70, the outstanding loan of Agriculture Development Bank Limited in the Eastern, Central, Mid-Western and Far-Western development regions grew within average rate of -1.6, 4.85, 5.98, 19 and 3.7 percents respectively (Table 4.16)

**Figure 4.10 : Region Wise Loan Outstanding**



The data in Table 4.16 plotted in figure 4.10. Viewing the figure 4.10, the contribution of development regions, on outstanding loan 6.6 percent in the Far- Western development region, to high of 45.60 percent in the central region, during the same interval of time.

#### **4.5.4 Loan Disbursement, Collection and Outstanding of Eastern Development Region**

The Disbursement, collection and outstanding of eastern development region of Agriculture Development Bank Limited up to the period 69/70 and percentage of collection to disbursement and percent of collection to outstanding is as follows:

**Table 4.17 : Loan Disbursement, Collection and Outstanding of Eastern Development Region**

Rs. In Thousand

FY	Disbursement	Collection	Outstanding	% of Col. To Disb.	% of Col. To Outs.
65/66	5030036	4883207	7439210	97.08	65.64
66/67	5558206	5457573	7236947	98.18	75.41
67/68	6154472	6400065	6991354	103.99	91.54
68/69	5483614	5162028	7383619	94.13	69.91
69/70	5947253	5960267	6954777	100.21	85.70
Average Percent				98.72	77.64

Table 4.17 shows that the loan disbursement, collection and outstanding for Eastern development regions during the period 65/66 to 69/70. There are increasing trends of loan disbursement, collection and outstanding. The flow of loan disbursement has gone up from Rs. 5030036 thousand in 65/66 to Rs. 5947253 in 69/70. The collection and outstanding loan also have gone up from Rs. 4883207 thousand and 7439210 thousand in 65/66 to Rs. 5960367 thousand and Rs. 6954777 thousand respectively in 69/70. The percentage of repayment to disbursement is highest in fiscal year 67/68 i.e. 103.99 percent and lowest in fiscal year 68/69 i.e. 94.14percent. The percentage of collection to outstanding for eastern development region varied from a lowest of 65.64 percent in fiscal year 65/66 to a highest of 91.54 percent in fiscal year 67/68. Between fiscal year 65/66 to 69/70, the average percentages of Collection to Disbursement and Collection to Outstanding have 98.2 percent and 77.64 percent for eastern development region.

#### **4.5.5 Loan Disbursement, Collection and Outstanding of Central Development Region**

The Disbursement, collection and outstanding of central development region of Agriculture Development Bank Limited up to the period 69/70 and percentage of collection to disbursement and percent of collection to outstanding is as follows:

**Table 4.18 : Loan Disbursement, Collection and Outstanding of Central Development Region**

Rs. In Thousand

FY	Disbursement	Collection	Outstanding	% of Col. To Disb.	% of Col. To Outs.
65/66	14484187	13938679	14969245	96.23	93.11
66/67	18761307	16993320	17016773	90.57	99.86
67/68	22328246	20383253	18961766	91.28	107.49
68/69	23436352	22932242	17524862	97.84	130.85
69/70	20608225	19750787	17853390	95.83	110.62
Average percentage				94.35	108.39

*Source: Annual Reports of Corresponding Fiscal Year of Agriculture Development Bank Limited*

Table 4.18 shows that there are increasing trends of loan disbursement, collection and outstanding. The flow of loan disbursement has gone up from 14484187 thousand in fiscal year 65/66 to Rs. 20608225 in 69/70. The collection and outstanding loan also have gone up from Rs. 13938679 thousands and Rs. 14969245 thousands in 65/66 to Rs. 19750787 and Rs.17853390 thousands respectively in fiscal year 69/70. The percentage of collection to disbursement is highest in the fiscal year i.e. 97.85 percent and lowest in the 66/67 fiscal year i.e. 93.12 percent. Between fiscal year 65/66 and 69/70, the average percentage of collection to disbursement and collection to outstanding have 94.36 percent and 108.39 percent for central development region.

#### **4.5.6 Loan Disbursement, Collection and Outstanding of Western Development Region**

The Disbursement, collection and outstanding of western development region of Agriculture Development Bank Limited up to the period 69/70 and percentage of collection to disbursement and percent of collection to outstanding is as follows:

**Table 4.19 : Loan Disbursement, Collection and Outstanding of Western Development Region**

Rs. In thousand

FY	Disbursement	Collection	Outstanding	% of Col. To Disb.	% of Col. To Outs.
65/66	6632210	6217026	6744780	93.73	92.17
66/67	7645932	7257973	7140235	94.92	101.64
67/68	8649427	8407920	7381742	97.20	113.90
68/69	9891527	9448429	8309664	95.52	113.70
69/70	9836253	9505046	8485224	96.63	112.01
Average Percent				95.60	106.68

*Source: Annual Reports of Corresponding Fiscal Year of Agriculture Development Bank Limited*

Table 4.19 shows that there are increasing trends of loan disbursement, collection and outstanding. The flow of loan disbursement has gone up from Rs. 6632210 thousand in fiscal year 65/66 to Rs. 9836253 thousand in fiscal year 69/70. The collection and outstanding loan also have gone up from Rs. 6217026 thousand and Rs. 6744780 thousand in 65/66 to Rs. 9505046 thousand and 8485224 thousand respectively in fiscal year 69/70. The percentage of collection to disbursement for western development region varied from a lowest of 93.74 percent in fiscal year 65/66 to a highest of 97.21 percent in fiscal year 67/68. Such as, the percentage of collection to outstanding for western development region varied from a lowest of 92.18 percent in fiscal years 65/66 to a highest of 113.9 percent in fiscal year 67/68. Between fiscal years 65/66 to 69/70, the average percentages of collection to disbursement and collection to outstanding have 95.61 percent and 106.69 percent respectively for western development region.

#### 4.5.7 Loan Disbursement, Collection, and Outstanding of Mid-Western Development Region

The Disbursement, collection and outstanding of mid western development region of Agriculture Development Bank Limited up to the period 69/70 and percentage of collection to disbursement and percent of collection to outstanding is as follows:

**Table 4.20 : Loan Disbursement, Collection, and Outstanding of Mid-Western Development Region**

Rs. In Thousand

FY	Disbursement	Collection	Outstanding	% of Col. To Disb.	% of Col. To Outs.
65/66	2090470	1987616	2512616	95.07	79.10
66/67	2407630	2303160	2623696	95.66	87.78
67/68	2595995	2602454	2617237	100.24	99.43
68/69	3766486	3780839	3952042	100.38	95.66
69/70	3502541	3252881	4710196	92.87	69.06
Average Percent				96.84	86.21

*Source: Annual Reports of Corresponding fiscal Year of Agriculture Development Bank Limited*

Table 4.20 shows that there are increasing trends of loan disbursement, collection and outstanding. The flow of loan disbursement has gone up 2090470 thousand in fiscal year 65/66 to Rs. 3502541 thousands in fiscal year 69/70. The collection and outstanding loan also have gone up from Rs. 1987616 thousand and 2512616 thousand in fiscal year 65/66 to Rs. 3252881 and Rs. 4710196 thousand respectively in 69/70. The percentage of collection to disbursement for Mid-Western development region varied from a lowest of 92.87 percent in fiscal year 69/70 to a highest of 100.38 percent in fiscal year 68/69. Such as the percentage of collection to outstanding for this development region varied from a lowest of 69.06 percent in fiscal year 69/70 to highest of 99.44 percent in 67/68. Between fiscal years 65/66 and 69/70, the average percentage of collection to disbursement and collections outstanding have 96.85 percentage and 86.21 percentage respectively for Mid-Western development region.

#### 4.5.8 Loan Disbursement, Collection, and Outstanding of Far-Western Development Region

The Disbursement, collection and outstanding of far western development region of Agriculture Development Bank Limited up to the period 69/70 and percentage of collection to disbursement and percent of collection to outstanding is as follows:

**Table 4.21 : Loan Disbursement, Collection, and Outstanding of Far-Western Development Region**

Rs. In thousand

FY	Disbursement	Collection	Outstanding	% of Col. To Disb.	% of Col. To Outs.
65/66	1048619	1129371	2774518	107.70	40.70
66/67	1962891	2159491	2587067	110.01	83.47
67/68	2186964	2425027	2349004	110.88	103.23
68/69	1151721	1124462	2412713	97.63	46.60
69/70	1490324	1466408	2379394	98.39	61.62
Average Percent				104.92	67.12

Table 4.21 shows that there are increasing trends of loan disbursement, collection and outstanding. The flow of disbursement has gone up from Rs. 1048619 thousand in fiscal year 65/66 to 1490324 thousand in fiscal year 69/70. The collection and outstanding loan also have gone up from Rs. 1129371 thousand and Rs. 2774518 thousand, fiscal year 65/66 to Rs.1466408 thousands respectively in fiscal year 69/70. The percentage of collections disbursement of Far-Western development region varied from a lowest of 97.63 percent in fiscal year 68/69 to a highest of 110.88 percent in fiscal year 67/68 such as the percentage of collection to outstanding for this development region varied from 40.71 percent in fiscal year 65/66 to a highest of 103.24 percent in 67/68. Between fiscal years 65/66 to 69/70, the average percentages of collection to disbursement and collection to outstanding have 104.93 percent and 67.13 percent respectively of Far-Western development region.

## **4.6 Major Findings of the Study**

### **4.6.1 Research Questions**

#### **4.6.1.1 Whether there is significant relationship between loan disbursement and collection**

The question is solved through the test of Karl Pearson's coefficient of correlation and regression analysis. Repayment loan of the bank seems to be directly proportional to the loan disbursement because both have shown movement in the same direction i.e. there is increasing order. Therefore, the increasing fund of collection is associated with similar trend of loan disbursement. The coefficient of correlation between loan disbursement and collection of Agriculture Development Bank Limited has brought  $r_{xy} = 0.996$ . It indicates that there is high degree of positive correlation between the two variables, which is nearer to plus 1. Thus, higher the volume of collection, greater will be the loan disbursement. The result can be verified by regression equation, loan disbursement (y) on collection (x). The regression equation  $y = 1862067.7 + 0.988x$  which shows positive relation between loan disbursement and collection.

The probable error the co-efficient of correlation helps in interpretation. The value of probable error, there are no evidence of correlation i.e. the value of r is not at all significant. Since the value of correlation ( $r_{xy}$ ) is greater than 6 P. Er i.e.  $.996 > .0024$ , the value of  $r_{xy}$  is significant. In other word, coefficient of correlation between loan disbursement and collection is significant.

#### **4.6.1.2 Whether there is significant relationship between loan disbursement and outstanding loan**

The question is solved through the test of Karl Person's coefficient of correlation regression analysis. Outstanding loan of the bank seems to be directly proportional to the loan disbursement because both have shown movement in the same direction i.e. there is increasing other. Therefore, the increasing fund of loan disbursement is associated with similar trend of outstanding loan. The coefficient of correlation between outstanding loan and disbursement of Agriculture Development Bank Limited has brought  $r_{xy} = 0.931$ . It indicates that there is high degree of positive

correlation between the two variables, which is nearer to plus 1. Thus, higher the volume of disbursement greater will be the outstanding loan. The result can be verified by regression equation, loan disbursement (y) on outstanding loan(x).

The regression equation

$$Y = -47969160 + 2.29x$$

Which shows, positive relation between outstanding loan and disbursed loan (see appendix VII). The probable error of the coefficient of correlation helps in interpretation. The value of probable error measures the reliability of the coefficient of correlation. If the value of r is less than six times of probable error there is no evidence of correlation i.e. the value of r does not seem significant. Since the value of r does not seem significant since the value of correlation ( $r_{xy}$ ) is greater than 6 P.Er. i.e.  $0.931 > 0.04$ . The value of  $r_{xy}$  is significant, in other word, coefficient of correlation between outstanding loan and disbursed loan is significant. In other word, coefficient of correlation between outstanding loan and disbursed loan is significant.

From the analysis of date and audited time series data of 5 years presented in chapter IV following essential finding are noticed.

#### **4.6.2 Loan Disbursement of Agriculture Development Bank Limited in Retrospect**

- Increasing at average growth rate 9.59 percent per annum, Agriculture Development Bank Limited has disbursed a total of Rs 1926407921 thousand as agricultural credit between fiscal years 65/66 to 69/70.
- The line of best fit (least squares trend line) on loan disbursement of Agriculture Development Bank Limited into linear regression model resulted: Loan disbursement,  $y = 38528158 + 3392689x$  ( $x = 1, 2, 3, 4, 5$ )
- The percentage composition of loan disbursement of Agriculture Development Bank Limited for the short, medium and long terms credit found to lie at 57.63, 5.41, 36.96 percents respectively.
- The percentage of medium term loan has decreased and the percentage of short term loan has increased in each year. But the short term loan has highest

proportion on disbursed loan between fiscal year 65/66 to 69/70. Sharing the highest of 51.7 percent, the central Development region ranked as a significant contributor on the loan disbursement of Agriculture Development Bank Limited. Despite the lowest shared of only percent the Far western development region and showed the highest growth rate of 20 percent per annum.

#### **4.6.3 Principal Collection of Agriculture Development Bank Limited in Retrospect**

- Increasing at an average growth rate of 10.05 percent per annum, Agriculture Development Bank Limited has collected a total principal of Rs. 185385799 thousand between fiscal year 65/66 to 69/70.
- Line of best fit (least squares trend line) on principal collection of Agriculture Development Bank Limited into linear regression model resulted:  $y=37115787+3313398.5x$  ( $x= 1, 2, 3, 4, 5,$ )
- The percentage composition of principal collection of Agriculture Development Bank Limited for the short, medium, and long term found to lies 56.54,4,71 and 38.75 percents respectively.
- The percentage medium term principal collection has decreased tend the percentage of short term principal collection has increased in each year but the medium term principal collection has highest proportion on total principal collection between fiscal year 65/66 to 69/70.
- Sharing the highest of 50.8 percent, the central development region ranked as a significant contributor on the principal collection of Agriculture Development Bank Limited. Despite the lowest share of only 4.5 percent in the far western development region and it is also showed the highest growth rate of 22.71 percent per annum.

#### **4.6.4 Outstanding Loan of Agriculture Development Bank Limited in Retrospect**

- Increasing at an average growth rate of 4.07 percent per annum Agriculture Development Bank Limited has total outstanding loan of Rs. 165855769 thousand 65/66 to fiscal year 69/70. The line of best fit ( least squares trend line)

on outstanding loan of Agriculture Development Bank Limited into linear regression model resulted:  $y=37860358+1484284x$  ( $x= 1,2,3,4,5$ )

- The percentage composition of outstanding loan of Agriculture Development Bank Limited for the short medium, and long terms found to lies 51.67, 7.12 and 41.21 percents respectively. .
- The percentage of medium term outstanding loan has decreased and the percentage of short term outstanding loan has also decrease in each year. But the medium term outstanding loan has highest proposition on total outstanding loan between fiscal year 65/66 to 69/70.
- Sharing the highest of 45.6 percent the central development on the outstanding loan. Despite the lowest share of only 3.7 percent in the far western development region and western region showed the highest growth rate of 5.98 percent per annum.

#### **4.6.5 Repayment to Compare with Loan Disbursement and Outstanding Loan of Agriculture Development Bank Limited in Retrospect**

- The average percentages of collection to loan disbursement and collection to outstanding loan have 98.09 and 100.53 percents respectively between fiscal years 65/66 to 69/70.
- Looking at the collection situation on term wise disbursement of loan, the short term loans of Agriculture Development Bank Limited has highest average 16.41 percent which is related to the production of agriculture product while medium, and long term loans of Agriculture Development Bank Limited have average percentage 8.66 and -0.15 percent respectively.
- In case of the percentage collection and total outstanding the situations of average percentage short term, medium term and long term loan have 110.05, 65.8 percent and 93.45 percent respectively.
- Looking at the collection to disbursement on region wise basis the highest average percentage 104.93 percentage Far Western development region and lowest average percentage 94.36 from Central development region while highest average percentage at the collection to outstanding on region wise is 108.39 from

central development region and lowest average percentage is 67.13 percentage from Far Western development region.

#### **4.6.6 Correlation and Regression Analysis**

- Both independent variables (collection and outstanding) showed, high degree of positive correlation with the loan disbursement of Agriculture Development Bank Limited.
- The coefficient of correlation between collection and loan disbursement of Agriculture Development Bank Limited has 0.996 that is more than six time of probable error, thus the value of correlation (r) is significant.
- The regression equation of loan disbursement on outstanding loan has  $y = -47969160 + 2.29x$
- The regression equation loan disbursement on collection has  $y = 1862067.7 + 0.988x$
- The coefficient of correlation between outstanding loan and disbursed loan of Agriculture Development Bank Limited has 0.931 which is more than six times of probable error, thus the value of correlation (r) is significant.

## **CHAPTER V**

### **SUMMARY CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary**

This chapter is a complete conclusion and suggestion package, which contains summary conclusion of the findings and actionable plans. This would be meaningful to the top management of the bank to initiate an action and achieve the desired result. Summary gives brief introduction to the entire chapter of the study and shows the actual factors of the present situation under the topic of the study. Conclusion of the findings is based on the consequences of the analysis of relevant data by using various financial and statistical tools. On the basis of the study, the preceding chapters have brought certain findings and recommendations which are summarized below.

This research is concerned about the analysis of Loan Disbursement and Collection Pattern of Agriculture Development Bank Limited. The researcher has identified the research problem and set objectives to solve research problems about loan disbursement and collection of Agriculture Development Bank Limited as described in the introduction chapter. The main objective of the study is to analyze the loan disbursement and collection pattern of the bank, various financial analysis, loan management, as well as offer suitable suggestions based on findings of this study. The research is based on secondary source of data. There include in first part background of study, introduction of Agriculture Development Bank Limited, focus of the study, statement of problem, objective, significance and limitation and organization of the study. To make this study more effective, related literatures have been reviewed. This section includes conceptual review and review of related studies. In conceptual review includes concept and function of commercial banks, types of loan, feature and objective of disbursement and collection policy and lending process. In the review of related studies includes review of books, journal and articles, NRB directives and review of previous thesis as well.

Research methodology has been described in third chapter, which is a way to solve the research problems with the help of various tools and techniques. This chapter includes

the various financial as well as statistical tools to analyze the data in order to come to the decisions. This chapter includes the research design, population and sample data collection procedure, data period covered and methods of analysis. These studies is mainly conducted on the basis of secondary data collected from annual reports of concern bank, official report, economic journal, financial statement etc. and authorize web site of Agriculture Development Bank, Nepal stock exchange and security board of Nepal.

The presentation and analysis of data has been made comparative analytical and their interpretation has done in chapter four by applying the wide varieties of methodology as stated in chapter three. It includes the various financial and statistical tools. In case of financial tools there analyzed various component of disbursement, collection and outstanding. Various statistical tools such as coefficient of correlation, trend analysis have been applied to fulfill the objective of this study. The major findings of the study are also included in the final section of the presentation and analysis chapter.

In this chapter, summary conclusion and recommendation are included. All the summary and conclusion are made according to obtained data from analysis. Recommendation has made which would be beneficial for all concerned person, management of the bank and other stakeholder. This research is concerned about the loan disbursement, collection and outstanding of Agriculture Development Bank Limited.

## **5.2 Conclusions**

From the analysis of the main findings of the study, following conclusions can be drawn about the loan disbursement and collection of Agriculture Development Bank Limited.

- The loan disbursement of Agriculture Development Bank Limited has grown significantly which shows the increasing demand for wholesale and retail propose.
- The average growth rate of loan disbursement collection and outstanding is 9.59, 10.05 and 4.07 percents respectively.

- Average growth rate of collections greater than the average growth rate of loan disbursement i.e.  $10.05 > 9.59$  which indicates the average growth rate of outstanding loan has decreased. So, loan disbursement and collection situation of Agriculture Development Bank Limited has satisfactory between fiscal year 65/66 to 69/70.
- The percentage of short term loan has been continuously increasing in each year. It showed that short term loan has highest growth rate which suggests the increasing attraction and requirement of the short term loan.
- Looking at the collection situation on term wise disbursement of loan the short term loan has higher percentage of collection to total loan disbursement as comparative to another type of term loan.
- In case of the percentage collection to total outstanding the situations satisfactory on long term loan.
- Looking at the region wise, the Agriculture Development Bank Limited has disbursed large amount of loan in central development region while very low amount of loan disbursed in mid western and far western development region.
- In case of collection situation to compare disbursement and outstanding the western development region has higher percentage of collection which showed more satisfactory in this development region. The collection situation is satisfactory in central and mid western development regions while eastern and far western development region has less satisfactory.

### **5.3 Recommendations**

Based on the analysis of the findings and conclusions of the study following recommendations are offered to further improve the design, delivery and management of loan disbursement of Agriculture Development Bank Limited.

- The amount of the bank's loan disbursement is largely depending upon the amount of loan collection in each year. So, the bank should encourage to farmers by various policy such as subsidy as loan interest etc. for the collection of loans.

- It is obvious that most of the peasants of our country reside in the rural areas where the main occupation is agriculture. So, Agriculture Development Bank Limited should expand the disbursement to cover more rural areas.
- Small and marginal farmers are facing the problems of improved seeds, fertilizers and pesticides due to their low income and low saving. So, the bank should apply easy loan policy for improved seeds, fertilizers and pesticides.
- The bank should provide the facilities of supervision for effective utilization of its loans.
- The decision making power should be given to the manager of the branch and sub branch offices to disburse large amount of loan to the farmers.
- The bank should focus to disburse short term loan.
- The bank should care to collect the long term loan.
- This study alone cannot fulfill the entire requirements. Therefore, more research should be carried out in the future in order to assess the impact of Agriculture Development Bank Limited's agricultural credit programs for the entire economic development of Nepal.
- Finally, the active financial programmed is an essential factor for accelerating of economic development of the country. The Agriculture Development Bank Limited can play a vital role for the development of the national economy by increasing the agriculture productivity of the country.

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## ANNEX

### ANNEX I

Least Square Trend Line of Loan Disbursement

Let the straight Line Trend be

$$Y = a + bx \dots\dots\dots I$$

Fitting of trend line by Least Square Method

SN(X)	FY	Disbursement (Y)	$x=(X-3)$	$x^2$	xy
1	65/66	29285522	-2	4	-58571044
2	66/67	36335966	-1	1	-36335966
3	67/68	41915104	0	0	0
4	68/69	43729700	2	4	87459400
5	69/70	41374500	1	1	41374500
N=5		$\Sigma y=192640792$	$\Sigma x=0$	$\Sigma x^2=10$	$\Sigma xy=33926890$

Since  $\Sigma x = 0$  So,  $a = \Sigma y/n = 192640792/5 = 38528158$

$$b = \Sigma xy / \Sigma x^2 = 33926890/10 = 3392689$$

substituting the values of a and b in equation I, the equation of the trend line is

$$y = 38528158 + 3392689x$$

## ANNEX II

Least Square Trend Line of Loan collection

Let the straight Line Trend be

$$Y = a + bx \dots\dots\dots i$$

Fitting of trend line by Least Square Method

Fiscal Year	X	Y	$x=X-3$	$x^2$	xy
65/66	1	28155899	-2	4	-56311798
66/67	2	34171617	-1	1	-34171617
67/68	3	40218719	0	0	0
68/69	4	42448000	1	1	42448000
69/70	5	40584700	2	4	81169400
	N=5	$\Sigma Y=185578935$	$\Sigma x=0$	$\Sigma x^2=10$	$\Sigma xy=33133985$

Since  $\Sigma x = 0$  So,  $a = \Sigma y/n = 185578935/5 = 37115787$

$$b = \Sigma xy / \Sigma x^2 = 33133985/10 = 3313398.5$$

substituting the values of a and b in equation I, the equation of the trend line is

$$y = 37115787 + 3313398.5x$$

### ANNEX III

Least Square Trend Line of Loan collection

Let the straight Line Trend be

$$Y = a + bx \dots\dots\dots i$$

Fitting of trend line by Least Square Method

	X	Y	$x = X - 3$	$x^2$	xy
65/66	1	34440369	-2	4	-68880738
66/67	2	36604718	-1	1	-36604718
67/68	3	38301103	0	0	0
68/69	4	39582900	1	1	39582900
69/70	5	40372700	2	4	80745400
	N=5	$\Sigma y = 189301790$	$\Sigma x = 0$	$\Sigma x^2 = 10$	$\Sigma xy = 14842844$

Since  $\Sigma x = 0$  So,  $a = \Sigma y / n = 189301790 / 5 = 37860358$

$$b = \Sigma xy / \Sigma x^2 = 14842844 / 10 = 1484284.4$$

substituting the values of a and b in equation I, the equation of the trend line is

$$y = 37860358 + 1484284.4x$$

## ANNEX IV

Karl Person's Coefficient correlation between disburse loan and collection loan.

### Correlations

		disbursement	collection
disbursement	Pearson Correlation	1	.996(**)
	Sig. (2-tailed)		.000
	N	5	5
collection	Pearson Correlation	.996(**)	1
	Sig. (2-tailed)	.000	
	N	5	5

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

From spss software

## ANNEX V

Karl Person's Coefficient correlation between outstanding loan and disburse loan.

### Correlations

		disbursement	outstanding
disbursement	Pearson Correlation	1	.931(*)
	Sig. (2-tailed)		.021
	N	5	5
outstanding	Pearson Correlation	.931(*)	1
	Sig. (2-tailed)	.021	
	N	5	5

\* Correlation is significant at the 0.05 level (2-tailed).

Data from spss software

## ANNEX VI

### Regression Equation of loan disbursement and collection

Let the regression of y on x be.

The normal equation is  $y = a + bx$ ..... (i)

To find the value of a and b. we have the following two normal equations.

$$\Sigma y = na + b\Sigma x \dots\dots\dots (ii)$$

$$\Sigma xy = a\Sigma x + b\Sigma x^2 \dots\dots\dots (iii)$$

FY	Collection(x)	Disbursement (Y)	x <sup>2</sup>	xy
65/66	2816	2929	7929856	8248064
66/67	3417	3634	11675889	12417378
67/68	4022	4192	16176484	16860224
68/69	4245	4373	18020025	18563385
69/70	4059	4138	16475481	16796142
	$\Sigma x = 18559$	$\Sigma y = 19266$	$\Sigma x^2 = 70277735$	$\Sigma xy = 72885193$

Substituting the value, of n,  $\Sigma x$ ,  $\Sigma y$ ,  $\Sigma xy$ ,  $\Sigma x^2$  in (ii) and (iii).

We have,

$$19266 = 5a + 18559b \dots\dots\dots iv$$

$$72885193 = 18559a + 70277735 b \dots\dots\dots v$$

From equation (iv)

$$a = (19266 - 18559b)/5 \dots\dots\dots (VI)$$

putting the vlue from a in equation v

$$72885193 = 18559((19266 - 18559b)/5) + 70277735 b$$

$$72885193 = 71511539 - 68887296b + 70277735 b$$

$$B = 0.988$$

Putting the value of b in equation v

$$a = (19266 - 18559 * 0.988)/5$$

$$a = 186.207$$

Hence, the regression equation y on x be.

$$Y = 186.207 + 0.988x$$

And the regression equation of loan disbursement on outstanding loan be

$$Y = 1862067.7 + 0.988x$$

## ANNEX VII

Regression Equation of loan disbursement and outstanding

Let the regression of y on x be.

The normal equation is  $y = a + bx$ ..... (i)

To find the value of a and b. we have the following two normal equations.

$\Sigma y = na + b\Sigma x$ ..... (ii)

$\Sigma xy = a\Sigma x + b\Sigma x^2$ ..... (iii)

FY	Outstanding (x)	Disbursement (Y)	x <sup>2</sup>	xy
65/66	3444	2929	11861136	10087476
66/67	3665	3634	13432225	13318610
67/68	3830	4192	14668900	16055360
68/69	3958	4373	15665764	17308334
69/70	4037	4138	16297369	16705106
	18929	19266	71925394	73474886

Substituting the values, of n,  $\Sigma x$ ,  $\Sigma y$ ,  $\Sigma xy$ ,  $\Sigma x^2$  in (ii) and (iii).

We have,

$$19266 = 5a + 18929b \dots\dots\dots \text{iv}$$

$$73474886 = 18929a + 71925394 b \dots\dots\dots \text{v}$$

From equation (iv)

$$a = (19266 - 18929b)/5 \dots\dots\dots \text{(VI)}$$

putting the value from a in equation v

$$73474886 = 18929 ((19266 - 18929b)/5) + 71925394 b$$

$$72885193 = 71511539 - 68887296b + 70277735 b$$

$$b = 2.29$$

Putting the value of b in equation v

$$a = (19266 - 18929 * 2.29) / 5$$

$$a = -4796.916$$

Hence, the regression equation y on x be.

$$Y = -4796.916 + 2.29x$$

And the regression equation of loan disbursement on outstanding loan be

$$Y = -47969160 + 2.29x$$

Where a and b are constant

y is the dependent variable (Loan Outstanding)

X is the independent variable (collection)