

**STATE OF CONCESSIONAL LOAN WITH
REFERENCE OF AGRICULTURAL
DEVELOPMENT BANK LIMITED OF
KATHMANDU, NEPAL**

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PLAGIARISM TEST REPORT

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This is to certify that this thesis comprises only my original work and no part of this work has been used for the award for another course or degree. I declare that any part of this work is my own I have indicated that it is my own by acknowledging the source of that part or those parts of the work.

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VIVA VOCE

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ABSTRACT

Concessional loan has emerged as a pivotal instrument in global development, finance, offering favorable terms to recipient for addressing infrastructural, social and economic challenges. By synthesizing existing literature and empirical evidence, it elucidates the mechanism through which concessional financing influences various developmental outcomes.

The analysis underscores that concessional loans play a crucial role in facilitating access to capital for the low and medium level income. By providing concessional terms such as lower interest rates, extended repayment periods and grace periods these loans enhance the financial viability of critical projects, spanning infrastructure development, education, health care and poverty alleviation initiatives.

Concessional financing contributes to bolstering economic growth and fostering sustainable development. Investments in human capital, facilitated by concessional loans, through education and healthcare programs, yield long-term dividends by enhancing labor productivity, fostering innovation, and improving socio-economic indicators.

The research design was carried out by using quantitative and qualitative analysis method. Mostly the primary data were used for analysis but some secondary data also were used for the fulfillment of objectives. This study was based on the descriptive and evaluative method. Primary data was collected through survey of selected debtors and staffs of the different posts of ADBL. Secondary data was collected from the different sources.

Concessional financing emerges as vital tool for advancing the sustainable development agenda and ensuring prudent utilization of concessional resources for maximizing developmental impact and mitigating associated risks.

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ABBREVIATION AND ACRONYMS

AD	:	Anno Domino
ADB	:	Asian Development Bank
ADB/N	:	Agriculture Development Bank Nepal
ADBL	:	Agriculture Development Bank Ltd.
ATM	:	Automatic Teller Machine
BAFIA	:	Bank and Financial Institution Act
BAFIO	:	Bank and Financial Institution Ordinance
BEP	:	Break Even Point
BFIS	:	Bank and financial Institution
CA	:	Credit Appraisal
CDPA	:	Central Department of Public Administration
CL	:	Concessional Loan
CRA	:	Credit Risk Assessment
GDP	:	Gross Domestic Product
GON	:	Government of Nepal
ICT	:	Information Communication and Technology
KAFL	:	Kathmandu Finance Limited
MOF	:	Ministry of Finance
NIDC	:	Nepal Industrial Development Cooperation
NRB	:	Nepal Rastra Bank
OECD	:	Organization for Economic Cooperation and Development
RBB	:	Rastriya Banijya Bank
SD	:	Standard Deviation.
SEE	:	School Education Examination
SFCL	:	Small Farmers Cooperative Ltd.
SFDP	:	Small Farmer Development Project
SLC	:	School Leaving Certificate
SPSS	:	Statistical Package for the Social Sciences
TU	:	Tribhuvan University
UNDP	:	United Nations for Development Program
WB	:	World Bank

CHAPTER I

INTRODUCTION

1.1 Research Context

Public policy refers to the decisions, actions, and initiatives undertaken by governments and other authoritative bodies to address societal issues and achieve desired outcomes for the welfare of the people. It encompasses a wide range of measures, including laws, regulations, programs, and budget allocations, aimed at shaping and influencing various aspects of public life.

A concessional loan is a type of financial assistance provided by the governments, international organizations, or development banks to recipient on more favorable terms compared to standard commercial loans. These loans are typically extended to low-income or developing countries to support their economic development, poverty reduction, and social progress. The concessional nature of these loans means that they come with lower interest rates, longer grace periods, and extended repayment schedules, making them more accessible and affordable for countries with limited financial resources. Concessional loans are utilized as a mechanism within wider redistributive strategies to foster equity and inclusiveness in economic growth. By rendering finance more attainable and economical in areas where it is most required, governments can facilitate the creation of opportunities for socio-economic progress and reduce imbalances among their citizen.

Concessional financing usually involves concessional loans, grants, or other forms of financial assistance that come with the lower interest rates compared to market-based loans. This term makes concessional financing more accessible and affordable for recipient with limited financial resources, enabling them to invest in critical sectors such as infrastructure, education, healthcare and environmental sustainability.

The foundation of business, commerce, trade and industry is finance. The banking industry serves as the foundation of contemporary business. Any nation's development is primarily dependent on its banking system. The primary objective of concessional loan is to bridge the financing gap faced by developing countries, enabling them to invest in critical areas such as infrastructure, education, healthcare, and environmental sustainability. By providing concessional financing donors and lenders aim to promote inclusive growth, address socio-economic disparities, and contribute to achievement of

global development goals, including sustainable development goals, including the Sustainable Development Goals (SDGs) set forth by the United Nations.

Concessional financing considered as a redistributive policy tools. It often involves providing financial assistance on favorable terms to support development initiatives in less affluent regions. Concessional financing helps to reduce economic disparities between the regions or countries by providing access to capital for projects and initiatives. This can contribute to reducing poverty and promoting economic growth in disadvantaged and vulnerable areas. It allows governments and development organizations to invest in social infrastructure which can improve opportunities for marginalized communities and reduce disparities in access to essential services. By providing financial assistance with favorable terms, concessional financing can help address inequalities within and between people.

Concessional financing supports development efforts in low-and middle- income countries by funding critical infrastructure projects, such as transportation networks, energy systems, and water sanitation facilities. These investments can stimulate economic growth, create employment opportunities, and enhance living standards, particularly in underserved region. It is directed towards social welfare programs aimed at improving the well-being of vulnerable populations. By providing funding concessional financing helps alleviate poverty, improve health outcomes, and enhance overall quality of life.

Concessional loans are often accompanied by technical assistance, capacity building initiatives, and policy reforms to enhance the effectiveness of development projects and ensure sustainable outcomes. These loans are typically granted based on criteria such as the recipient country's development needs, economic stability, and commitment to good governance and accountability.

The word "bank" comes from the Old Italian word "banca" or the French word "banque" which both refer to a table used for exchanging money. In the past, European moneylenders or moneychangers would arrange large piles of coins from various nations on benches or tables in order to lend or exchange.

A bank can be defined as a business that has been granted permission by the government to take deposits, pay interest, clear cheque issues and loans. A bank is a financial

institution that manages advances, deposits, and other related services. It accepts deposits and provides loans to individuals in need.

A bank is a type of financial institution that manage people's money i.e. money provided by depositors. Oxford Dictionary defines a bank as "an establishment for custody of money, which it pays out on customer's order." People can deposit money with a bank, and these deposits are often repaid either on demand or at the end of certain period of time. Bank guarantees the security of its clients' deposits. It also serves as a custodian for its client's money.

A bank provides loans to those who need the money for various reasons. It also facilitates the easy payment and withdrawal of bank funds for its clients in the form of drafts and cheques. It offers its clients a range of banking services. This consists of agency service as well as general utility services.

A bank lends money through loans for various purposes to those in need. It offers convenient payment and withdrawal options to its customers via cheques and drafts, thereby circulating bank money. Additionally, it provides a range of banking facilities, including general utility services and agency services.

A bank is an institution that seeks profit through a service-oriented approach. Banking is a dynamic concept, characterized by ongoing expansion and diversification in its functions, services, and activities. A bank serves as an intermediary between money lenders and borrowers, collecting funds from those with excess capital and providing it to those in need of funds. The primary activity of a bank should be conducting banking business, which should not be secondary to any other business.

Bank in a general sense refer to the commercial bank. Commercial bank accepts different types of deposits and lends money to the industrialists, merchants, farmers and households. It serves as the different agents for the government and the general people. Chanakya in his Arthashastra written around 300 B.C. mentioned about the existences of powerful guilds of merchant bankers who received deposits, advanced loans and issue hundis. The first bank is "The Bank of Venice" which was established in 1157 at Italy to finance the King at the time of the war.

Bank is the business of the mediator, which joins the different service provider with the service receiver. The different services are the mediator of money as a depositor and

the lender, the mediator of national and the international and national trade, the mediator of the different service provider and the service receiver in the terms of different types of cash and service deals such as the guarantor.

Commercial banks are financial institutions that play a significant role in the economic development of less developed countries such as Nepal. Despite facing various constraints, the number of these establishments has been steadily increasing. In Nepal, nearly all financial institutions must register with the Central Bank of Nepal, also known as Nepal Rastra Bank. The central bank categorizes commercial banks as 'A' level banking systems. Their functions include collecting deposits from the public, investing those deposits for productive purposes, and ensuring the recovery of invested funds within a specified period.

It is accepted that the commercial bank is the agent of the development in the sector of international trade and industry of the country. Commercial bank deploys the fund they raised from different sources and lend it to the needy one as the credit facility. Although the main objective of the commercial bank is to generate profit, they have vital role for poverty alleviation and economic development of the country.

The history of bank in Nepal is not older than 150 years. TejarathAdda was established on 1933 B.S. to provide the credit facility to the general people against the gold. The first commercial bank Nepal Bank was established on 1994 B.S. worked as both central bank and commercial bank.

Under NRB Act 1955 A.D. Nepal Rastra Bank (NRB) the central Bank of Nepal was established on 1956 A.D. It governs and regulates the financial institutions of the country. Issues the Bank notes, fix the foreign exchange rates and sets the monetary policy. In the general concept, bank could be understood as the commercial bank that accept deposit and lend money. However, this is not only the task of bank.

Agricultural Development Bank Limited (Agricultural Development Bank Limited) is an autonomous organization largely owned by Government of Nepal. It was established in 1968 under the ADB/N Act 1967, as successor to the cooperative Bank. The Land Reform Saving Corporation was merged with the ADBN Act 1967 as successor to the co-operative bank.

The Bank and Financial Institution Ordinance (BAFIO), enacted in February 2004, superseded all previous Acts concerning financial institutions, including the ADB/N Act of 1967. Following BAFIO, the Agricultural Development Bank Limited was established as a public limited company on July 14, 2005. It operates as an "A" category financial institution within the legal frameworks of BAFIO and the Company Act, 2053. As the country's sole financial institution, it conducts its operations through three primary channels: Development Financing, Commercial Banking, and Small Farmers Development. The bank contributes over 79% of institutional credit to the rural population, bolstering its presence across the diverse geographical regions of the mountains, hills, and Terai.

The Agricultural Development Bank Limited functions as an autonomous entity under the control of the Ministry of Finance. It has an authorized capital of NRs. 25 billion, with a paid-up capital amounting to NRs. 18.88 billion.

Vision: To be a mass based complete bank serving from Urban to Rural.

Mission: To deliver comprehensive banking solution strengthening its extensive network.

Objectives:

- a) To provide quality banking services.
- b) To adopt market driven strategy.
- c) To obtained sustained and competitive return on investment.

Corporate Conduct

- Comply with all relevant legislation, code of conduct and standard of good corporate governance.
- Conduct its operation s in an open and transparent manner.
- Put local resources to work for local development.
- Provide a full-fledged banking products and services that satisfy the need of the customer.
- Be vigorous in building reputation for professionalism competitive pricing, reliability and quality of service using an appropriate technology.

Organization for Economic Co-operation and Development (OECD) defines concessional loan as a loan that are extended on terms substantially more generous than market loans. To foster entrepreneurship, Nepal Rastra Bank (NRB) introduced a concessional loan program. Recently, there has been a rise in the number of borrowers taking advantage of these loans following NRB's expansion of the sectors eligible for such financing.

Concessional loan is a loan which has lower interest rate below the most common deferred repayment. In the case of concessional loan Agricultural Development Bank Limited the process starts from screening the client to the disbursement to the loan. When the project proposal is prepared, there should be a detail analysis of its significance and possibility before the Loan released. If there are any weaknesses regarding the data or the supporting documents in the project proposal, they should be corrected and the new information should be included. If the project proposal is correct and meets the need of the firm, disbursement process is forwarded. However, if there are any mistakes in proposal, they must be corrected or revised completely.

1.2 Statement of the Problem

The financial sector performs a significant role in a country's economic development (Das & Ghosh, 2007). Concessional financing is offered to the most vulnerable sectors. The flow of concessional loans has risen following the central bank's mandate for BFIs to invest in such loans. Additionally, the loan process has become more flexible. With the improved accessibility to concessional loans, micro businesses are thriving, aiding in the recovery of the economy affected by the pandemic.

Banks are very important component of a country's financial sector as they have many branches and subsidiaries operating domestically and internationally. Commercial banks play vital role in the allocation of resources. Loan disbursement, collection, and non-fund business constitute key functions of commercial banks, collectively known as "loan management." Loans represent assets that are both risky and profitable, which banks extend to individuals for temporary use. Management involves handling resources effectively; thus, loan management refers to the efficient administration of these loans. Typically, loan management is concerned with the procedures of loan distribution and collection. The research questions are as follows.

- a) What are the objectives of disbursement of concessional loan?
- b) What are the perceptions of clients about concessional loan provided by Agricultural Development Bank Limited
- c) Does the concessional loan provision achieve objectives of Agricultural Development Bank Limited?

1.3 Objectives of Study

The primary objective of the study is to examine the status concessional loan provided by Agricultural Development Bank Limited to the people. The other specific objectives are as follows.

- a) To examine the achievement of objectives of concessional loan provided by Agricultural Development Bank Limited
- b) To analyze the perception of client about concessional loan provided by Agricultural Development Bank Limited.

1.4 Significance of the Study

This study is most important for present context of Nepal. Many studies have been conducted on the concessional Loan but few studied have on this after Covid-19 pandemic. From this research it could be find that the current status of concessional loan provided by the Agricultural Development Bank Limited. By analyzing the living standard of the people through the concessional loan provided by Agricultural Development Bank Limited, we can measure the effectiveness of the concessional loan to the people. This may help to get attention to the concerned organization or offices. Additionally, this research exposes the necessities of concessional loans. It also highlights the issues and challenges associated with concessional loans. The conclusions and recommendations derived from the research findings are beneficial for decision-makers and policy-making bodies to comprehend the various problems linked to the challenges of concessional loans. Ultimately, this study may pave new paths for future researchers to conduct further studies in the same field.

1.5 Limitation of the Study

This thesis is a small-scale study prepared for the supplementary fulfillment of master's degree management. The respondents also remain as its limitations. This thesis concerns the limited area. It gives more emphasis on the concessional financing of Agricultural Development Bank Limited.

- a) This study is on the credit appraisal; it only focuses on concessional financing of Agricultural Development Bank Limited.
- b) Research is conducted on limited area.
- c) The survey does not take into account the respondents' personal biases and other external factors that may be present at the time of the survey.

1.6 Organization of the Study

Organization of the study describes about the chapter plan about the whole research from start to end. Broadly a component of the organization of the study is to provide a map that may guide readers through the reading and understanding of the dissertation. Specially, a component organization of the study is briefly established how each chapter is constructed. In this research organization of the study is divided into five chapters.

First Chapter is about the introduction and background of the study. This chapter includes introduction of the study, statement of the problem, objective of the study, limitation of the study and organization of the study.

Second chapter is about the literature review. A literature review is a comprehensive summary of previous research on a topic. The literature review surveys scholarly articles, books and other sources relevant to a particular area of research. It gives a theoretical base for research and help to determine the nature of research. This chapter includes: concept and definition of the Concessional loan, historical background and past findings about the concessional loan.

Third chapter is about the research methodology. Research methodology is a process used to collect information and data for the purpose of the research. The methodology includes research techniques for present and historical information. This includes, research design, sources of data, population and sample size, data Processing and data analysis procedure.

Fourth chapter is about the presentation and data analysis. Data analysis is a process of developing questions through the examination and interpretation of data. This chapter mainly focused on Organization of data into tables, graphs or charts in logical and statistical conclusion with specific research methodology. Objectives of thesis are analyzed in this chapter.

Fifth chapter is about the summary, findings and conclusions. Summary is a record of main points of the research it summarizes the whole research and summary provides the brief overview of the whole study. Research findings is the principal outcomes of the research and conclusion means the finally sum up it is the end of the chapter which used to introduce summary, conclusion and implication of the study.

CHAPTER II

LITERATURE REVIEW

2.1 Conceptual Review

Public policies are the governmental decisions and are actually the results of activities which the government undertakes in pursuance of certain goals and objectives. Thomas R dye says that “public policy is whatever government choose to do or not to do”. Public policies are made in response to some sort of issue or problem that require attention. It encompasses a range of issues, such as economic, social welfare, educational, and environmental policies.

Public policy generally consists of the set of actions, plans, laws and behaviors adopted by the government. In any society, governmental entities enact laws, make policies and allocate resources. Public policy generally defined as a system of laws, regulatory measures, courses of action and funding priorities concerning a given topic promulgated by a governmental entity or its representatives.

Robert Eye Stone terms public policy as “the relationship of government unit to its environment. It is an outcome of the government’s collective actions. Today government affects all aspects of our lives. Everyone has a stake in the public policies enacted by the government. Public policy is there to influence how other important decisions are made, and it’s usually formed as a response to a specific issue that is of interest to the public. Public policy is supposed to offer some sort of solution to a problem. It is the framework of laws, regulations, and actions government implement to achieve social and economic goals.

Public policy articulates a government's intentions and dedication to resolving specific issues or challenges. It spans a range of critical sectors and concerns within any administration. Offering manifold advantages, it empowers citizens to tackle intricate social problems and enact substantial changes broadly. This encompasses stimulating economic growth, fostering social justice, guaranteeing environmental preservation, safeguarding national security, and managing foreign affairs. In Nepal, public policy strives to propel economic advancement, reduce poverty, combat disparity, improve the populace's quality of life, safeguard the vulnerable, and contribute vigorously to development endeavors.

Public policy is crucial in molding societies and impacting individual lives. It has an influence from the beginning to the end of life. Public policy is vital for tackling societal challenges and enhancing the well-being of both individuals and communities. Public policy evolves through an iterative process. Since this process involves mobilizing many actors and resources, the resulting public policy is always an outcome of negotiating across competing interests and choices. This also means that public policies are constantly evolving. Who benefits or get affected by policies requires frequent assessment, so policy makers regularly revisit and revise policies to reflect the times. No doubt, there are many problems in our communities that need to be solved. Some problems readily be dealt with distributive and some dealt with redistributive policies.

Public policy can be classified into various types according to their focus, scope, and duration. Regulatory policies are designed to control or manage behavior in order to safeguard the public interest. That imposes limits on the behavior of some identifiable groups or individuals; reduces the freedom. Distributive policies allocate resources among societal groups, ensuring fair distribution. Distributive policy allocates government benefits to individual and groups. Distributive policy collects from the many benefits the few. It is also common when society feels there is a social benefit to individuals obtaining goods and services such as higher education that offer long term benefits, but the upfront cost may be too high for the average citizen. Redistributive policies aim to reduce income inequality by redistributing wealth. It makes a deliberate re-allocation of resources among identifiable social groups. Power is re-divided between haves and haves-not. Redistributive policy shares the wealth and income of some groups with others. Every policy type is vital in tackling diverse social, economic, and political issues. Efficient public policy guarantees fair distribution of resources, fosters social equity, and confronts challenges within society.

Regulatory policies		Distributive policies		Redistributive policies	
Restrictive	Lenient	Expansionary	Reductive	Expansionary	Reductive
<i>Restricting</i>	<i>Liberating</i>	<i>Providing</i>	<i>Withdrawing</i>	<i>Giving</i>	<i>Taking</i>
<i>to</i>	<i>to</i>	<i>to</i>	<i>to / out-of</i>	<i>to</i>	<i>to / out-of</i>
<i>control</i>	<i>promote</i>	<i>promote</i>	<i>control / helplessness</i>	<i>give / promote</i>	<i>take / control / helplessness</i>

Fig. 1 Categories of Policies

Redistributive and distributive policies mostly work to improve individual's quality of life. They include social welfare policies who cannot care for themselves. By contrast, distributive and redistributive policies are primarily concerned with the allocation of resources. Both concern financial capacities of the state, in which incentive tools and capacity tools figure prominently (Schneider & Ingram, 1990). Distributive policies imply allocating to the equipment of broadly accessible infrastructure and less so to specific individuals or groups. Redistributive policies more often allocate resources to specific individuals or groups; wherever, those gaining or losing are more visible.

With the goal of strengthening distributive and redistributive justice throughout the nation, Nepal Rastra Bank (NRB) had introduced a policy in a name of concessional loan program. Recently, there has been a rise in the number of concessional loan borrowers following the central bank's decision to broaden the sectors eligible for such loans. According to the Nepal Rastra Bank (NRB), the flow of concessional loans has surged since it became compulsory for banking and financial institutions (BFIs) to allocate funds to concessional loans.

A concessional loan refers to a type of loan provided by foreign governments, international organizations, or development banks to people on more favorable terms compared to standard commercial loans. These loans typically come with lower interest rates, longer repayments periods, and often include grace periods where no payments are required.

In case of Nepal, concessional loans play a significant role in funding various development projects, transportation infrastructure, energy generation, healthcare,

education and poverty reduction programs. These loans help to address the development challenges and achieve its socio-economic objectives.

Concessional loans provided by commercial banks in Nepal may not be as common as those provided by international organizations or development banks. Commercial banks typically operate with profit motives and may not offer loans on highly concessional terms. Commercial banks in Nepal participate in government-led initiatives or programs aimed at promoting specific sectors or supporting economic development. These initiatives involve providing loans at subsidized interest rates or with extended repayment periods. Commercial bank offers concessional loans for small and medium enterprises (SMEs) as a part of government scheme to promote entrepreneurship and job creation.

Bank is the business of the mediator, which joins the different service provider with the service receiver. The different services are the mediator of money as a depositor and the lender, the mediator of national and the international and national trade, the mediator of the different service provider and the service receiver in the terms of different types of cash and service deals such as the guarantor. It is accepted that the commercial bank is the agent of the development in the sector of international trade and industry of the country. Commercial bank deploys the fund they raised from different sources and lend it to the needy one as the credit facility. Although the main objective of the commercial bank is to generate profit, they have vital role for poverty alleviation and economic development of the country.

Commercial banks are financial institutions that play a significant role in the economic development of less developed countries such as Nepal. Despite facing various constraints, the number of these establishments continues to grow. In Nepal, nearly all financial institutions must register with the Central Bank of Nepal, also known as Nepal Rastra Bank. The central bank categorizes commercial banks as 'A' level banking systems. Their functions include collecting deposits from the public, investing those deposits for productive purposes, and ensuring the recovery of invested funds within a specified period.

Loan disbursement, collection, and non-fund business are key functions of every commercial bank, collectively known as "loan management." Loans represent both a risk and a profit for banks, which they grant to individuals for temporary use.

Management involves handling resources effectively, so loan management is defined as the efficient administration of these loans. It typically focuses on the procedures of loan distribution and collection. Loan management deals with lending and recovering funds to prevent the bank from facing liquidity issues, as these funds originate from public deposits. Proper loan management ensures the bank maintains its liquidity position, balancing the loan disbursements with deposit collections.

The Nepal Rastra Bank has released a new directive, instructing banks and financial institutions to offer loans to earthquake survivors according to the Integrated Working Procedure for Subsidized Credit 2018. This action by the central bank follows grievances from earthquake survivors who reported that financial institutions were not disbursing loans as per the government's announcement. Under the new policy, the government will subsidize a 5 percent interest rate for earthquake survivors on loans provided by banks and financial institutions. These institutions are permitted to increase their profits by up to 2 percent above their base rate. Loan recipients are obligated to repay within five years. The concessional loan is also available to young entrepreneurs, projects led by returning youths from abroad, women entrepreneurs, and members of the Dalit community, among others.

According to the Nepal Rastra Bank (NRB), in the first eight months of the current fiscal year, a total of 140,158 individuals have taken out concessional loans. This brings the total number of concessional loan recipients to over 250,000. The central bank reports that the number of concessional loan recipients, which exceeded 10 million, was only 1,921 for the entire fiscal year of 2023-24. To date, various banks and financial institutions (BFIs) have disbursed a total of Rs. 242 billion in concessional loans. In the first eight months of the current fiscal year, the outstanding concessional loans amounted to Rs. 180 billion, compared to Rs. 139 billion in outstanding concessional loans for the entire previous fiscal year.

According to the Nepal Rastra Bank (NRB), the flow of concessional loans has risen following the central bank's mandate for Banking and Financial Institutions (BFIs) to invest in such loans. Additionally, the loan process has become more flexible, leading to greater accessibility to concessional loans. As a result, micro businesses are thriving, aiding in the recovery of the economy affected by the pandemic. Under the current fiscal's Monetary Policy, the Nepal Rastra Bank (NRB) has required commercial banks

to extend concessional loans to a minimum of 500 projects per fiscal year, while development banks have a threshold of 300 projects. Out of 120,225 concessional loan recipients, 117,967 have secured loans for 'agriculture' and 'women entrepreneurship'. According to NRB data for the first eight months of the current fiscal year, 52,179 individuals received concessional loans totaling Rs.154 billion for agriculture and livestock farming. In the same period, 65,788 beneficiaries received loans amounting to Rs.51 billion under the women entrepreneurship category. Banking and Financial Institutions (BFIs) have disbursed Rs.2.08 billion in loans without collateral, with the remainder issued against collateral, as recorded by the NRB. (NRB, Subsidized loan, Mangsir, 2080)

Banks and financial institutions fix the rate of interest by adding 2 percent to the base rate. The government provides 6 percent concession for women entrepreneurship while banks are entitled to receive 5 percent concession for all other categories under the concessional loan.

Asian Development Bank (ADB) agreed to provide concessional loan equivalent to USD 200 million to the Government of Nepal (GON) for implementation of South Asia Sub-Regional Economic Cooperation (SASEC) Power Transmission and Distribution System Strengthening Project. Similarly, the Government of Norway agreed to provide a grant co-financing equivalent to USD 35 million to be administered by ADB. (MOF, 27 August, 2020)

Lending money is one of the major functions of a bank. It keeps our economy healthy and is an efficient way of implementing monetary policies as well. A loan is essentially the money that one individual, organization or institution lends to another individual, organization or institution. It is the borrowing of money for a specific period of time with the intention of returning it with interest. A concessional loan has very compromising loan terms with respect to the rate of interest, grace periods for repayment, longer terms etc. Such loans are offered to developing countries by other countries or financial institutions.

Credit administration involves the creation and management of risk assets. The process of lending takes into consideration the people and system required for the evaluation and approval of loan requests, negotiation of terms, documentation, disbursement administration of outstanding loan and work outs, knowledge of the process and

awareness of its strength and weakness are important in setting objectives and goals for lending activities. (Bajracharya, 2007:93)

Gary (2009) analyzed that the 'shadow banking system' central to the current credit crisis is not due to a retail panic. Previously, depositors would rush to their banks and demand cash for their checking accounts, leading to insolvency when banks could not meet these demands. The present crisis involves financial firms 'running' on each other by not renewing sale and repurchase agreements or by increasing the repo margin, which forces significant deleveraging and results in insolvency within the banking system.

Srinivasan and Kim have described a prototype of an expert credit granting system in their work on designing expert financial systems: A Case Study of Corporate Credit Management (Srinivasan and Kim, 1991). The credit granting process at the participating corporation consisted of two distinct phases.

- 1) The customer evaluation phase involves assessing the customer's creditworthiness using various criteria; and
- 2) The credit limit determination phase translates the results of the evaluation into a credit limit for the customer. Consequently, the system design is divided into these two distinct phases.
 - i. Development of a suitable database and knowledge base to support the customer evaluation process.
 - ii. Development of a suitable model to support the credit limit determination phase.

It provides the guidelines for screening of the business. It is conducted to examine every aspect to assess whether it is appropriate and viable before finance is committed. This is normally based on the proposal submitted by the borrower but it may evolve new information if the appraiser is not satisfied. The appraiser may suggest to alter the proposal or to develop the new one if appraiser finds serious flaws. Appraiser could reject the proposal if the proposal is not sound or credit worthy.

2.2 Concept of concessional loans

Concessional loans represent a pivotal component of global financial architecture, offering vital resources to countries striving for economic development, infrastructure

improvement, and poverty alleviation. These loans, characterized by favorable terms such as below-market interest rates, extended repayment periods, and flexible conditions, play a crucial role in supporting the growth of aspirations of low-income nations. A concessional loan is a form of financial assistance provided by governments, international financial institutions, or bilateral organizations to eligible recipients, typically with a focus on bolstering socio-economic progress. Unlike commercial loans, which are driven by profit motives and entail market-based interest rates, concessional loans are designed to offer concessional terms tailored to the specific needs and capacities of the borrower.

The genesis of concessional lending can be traced back to the post-World War II era when the international community recognized the imperative of fostering economic reconstruction and development in war-torn and impoverished regions. Over the decades, the landscapes of concessional financing have evolved, with multilateral development banks, bilateral aid agencies and other stakeholders actively engaging in disbursing concessional resources to address a myriad of development challenges.

The importance of concessional loans transcends mere financial transactions; it embodies a commitment to solidarity, partnership and shared progress among nations. By providing concessional financing, donor countries and international organizations demonstrate their commitment to advancing global developmental agendas, including the Sustainable Development Goals (SDGs), climate resilience and inclusive growth. Concessional loans serve as a beacon of hope for nations aspiring to transcend barriers to prosperity, navigate economic challenges and forge pathways towards a more equitable and sustainable future. Through strategic development and prudent management, concessional financing stands poised to catalyze transformative change, empower communities, and foster inclusive development on a global scale.

2.3 Historical Background and Evolution of concessional loan

The historical background and evolution of concessional loans trace a trajectory shaped by shifting global economic dynamics, geopolitical considerations, and evolving development paradigms. The historical evolution of concessional loans underscores their adaptive nature in responding to shifting geopolitical realities, economic

challenges, and development imperatives. As the global community grapples with complex issues ranging from poverty

Post-World War II Era

The roots of concessional lending can be traced back to the aftermath of World War II when the international community recognized the urgent need for economic reconstruction and development in war-torn regions. Institutions like World Bank and the International Monetary Fund (IMF) were established in the mid-20th century to facilitate post war reconstruction and provide financial assistance to countries in need.

Bretton Woods Institutions

The Bretton Woods Conference in 1944 laid the groundwork for the establishment of multilateral financial institutions, including the World Bank and the IMF. The primary objective of these institutions was to foster global economic stability, promote growth, and facilitate development through financial assistance, including concessional loans.

Early Development Assistance

In the early years, concessional loans were primarily provided to European countries through initiatives like the Marshall plan, aimed at rebuilding war-ravaged economies and preventing the spread of communism. The concept of concessional lending expanded beyond Europe to encompass developing countries in Asia, Africa and Latin America, particularly during the era of decolonization and the Cold War.

Shift towards Development Finance

Concessional lending gained prominence as a tool for promoting economic development in low-and middle- income countries during the 1960s and 1970s. The focus of concessional loans shifted from post-war reconstruction to long-term development, with an emphasis on infrastructure projects, education, healthcare and poverty reduction.

Debt Crisis and Structural Adjustment Programs

The debt crisis of the 1980s marked a turning point in the evolution of concessional lending, as many developing countries found themselves burdened with unsustainable levels of debt. International financial institutions, including the World Bank and the IMF, responded with structural adjustment programs (SAPs) that often-included

concessional financing alongside policy reforms aimed at stabilizing economics and promoting growth.

Reforms and Modernization

In the late 20th and early 21st centuries, concessional lending underwent reforms to address criticisms of conditionality, debt sustainability, and effectiveness. Initiatives such as the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI) aimed to reduce the debt burden of low- income countries and enhance the concessional nature of financial assistance.

Contemporary Landscape

Today, concessional loans remain a vital component of international development finance, with multilateral development banks, bilateral donors, and regional organizations playing key roles in disbursing concessional resources. The focus has expanded to include emerging issues such as climate change adaptation, gender equality, and private sector development, reflecting changing priorities and challenges in the global development agenda.

2.4 Characteristics of Concessional loan

Concessional loan possesses several distinct characteristics that differentiate them from other commercial loans. These characteristics are tailored to meet the specific needs and circumstances of the borrower, particularly those with limited financial resources or facing developmental challenges. Here are the key characteristics of concessional loans;

Below market Interest Rates

Concessional loans are typically offered at interest rates significantly below prevailing market rates. And the reduced interest burden allows borrower to access financing at lower costs compared to commercial loans, thereby easing financial constraints and promoting investment in development projects.

Extended Grace Periods

Extended grace periods provide breathing room from borrower to initiate and implement projects without immediate repayment obligations, allowing time for investments to yield returns and economic benefits to materialize. Concessional loans

often feature longer grace periods, during which borrowers are not required to make principal repayments.

Extended repayment period

The extended repayment period allows borrower to spread out repayment obligations over an extended timeframe, reducing the annual debt service burden and enabling more sustainable debt management. Repayment periods for concessional loans are typically longer than those for commercial loans, spanning several years.

Flexible terms and conditions

Concessional loans often come with flexible terms and conditions tailored to the specific needs and circumstances of borrower. And it includes flexible repayment schedules, customized project eligibility criteria and waivers or reductions of fees and charges associated with loan disbursement and management.

Catalyst for Development projects

By providing affordable financing options, concessional loans enable governments to undertake projects that contribute to economic growth, poverty reduction, and social development. And it serves catalyst for financing development projects in key sectors such as infrastructure, education, healthcare and agriculture.

Targeting Low- and Middle-Income group

Concessional loans are primarily targeted at low- and middle-income beneficiaries that may face challenges accessing affordable financing from capital markets or traditional commercial lenders.

Complementary support and Technical Assistance

In addition to financial assistance, concessional loans often come bundled with complementary support measures, including technical assistance, capacity building, and policy advice. These additional resources aim to enhance the effectiveness and impact of development projects financed through concessional loans, addressing capacity constraints and promoting sustainable

2.5 Purposes and Objectives of Concessional Loans

Concessional loans serve a variety of purposes and objectives aimed at promoting economic development, poverty reduction, and sustainable growth and development in low- and middle-income people. These loans are designed to address specific challenges faced by borrower nations and contribute to achieving broader development goals. Here are the key purposes and objectives of concessional loans:

Infrastructure Development

Concessional loans are frequently used to finance critical infrastructure projects such as transportation networks, energy systems, water supply, and telecommunications. Investment in infrastructure enhances connectivity, facilitates trade and commerce, improves access to essential services, and stimulates economic activity, thereby fostering long-term growth and development.

Poverty Alleviation

Concessional loans are instrumental in funding poverty alleviation programs and social safety nets aimed at improving the well-being of marginalized and vulnerable populations. These loans support initiatives such as education, healthcare, social housing, and microfinance, which contribute to reducing poverty, enhancing human capital, and promoting social inclusion.

Human Development

Concessional loans play a vital role in investing in human capital development, including education and healthcare systems. Funding for education supports initiatives to improve access to quality schooling, vocational training, and higher education, fostering skills development and workforce productivity. Healthcare financing enables the expansion of healthcare infrastructure, the provision of essential medical services, and the strengthening of public health systems, contributing to improved health outcomes and well-being.

Economic Diversification and Industrialization

Concessional loans support efforts to diversify economies and promote industrialization in low- and middle-income countries. Investment in sectors such as manufacturing, agriculture, and technology facilitates economic transformation,

enhances productivity, creates employment opportunities, and reduces reliance on traditional primary commodities.

Promotion of Sustainable Development Goals (SDGs)

Concessional loans contribute to achieving the Sustainable Development Goals (SDGs) adopted by the United Nations, addressing targets related to poverty eradication, quality education, healthcare, clean water sanitation, affordable and clean energy, sustainable cities and communities and other areas. By aligning with the SDGs, concessional loans support internationally agreed-upon development objectives and promote a holistic approach to sustainable development.

Overall, the purposes and objectives of concessional loans reflect a commitment to advancing inclusive and sustainable development, addressing development challenges, and supporting the aspirations of low- and middle-income people to achieve prosperity and well-being for all.

2.5.1 Advantages of Concessional loans

Concessional loans offer several advantages compared to commercial loans, particularly for low- and middle level income people. These advantages stem from the favorable terms and conditions associated with concessional financing. Here are the key advantages of concessional loans:

Affordable Financing

Concessional loans are provided at below-market interest rates, making them more affordable for borrower countries compared to commercial loans. The lower cost of borrowing reduces the financial burden on recipient and allowing them to access much-needed financing for developmental projects without incurring high interest expenses.

Support for Development Priorities

Concessional loans are aligned with the development priorities and objectives of the recipient, supporting investments in infrastructure, agriculture, education and healthcare. By targeting priority areas, concessional loans contribute to achieving sustainable developmental goals, reducing poverty, and promoting inclusive growth and human development.

Reduced Risk of Debt Distress

Concessional loans mitigate the risk of debt distress for recipient by offering favorable terms and conditions that enhance debt sustainability. Lower interest rates, longer repayment periods, and grace periods reduce the likelihood of debt servicing difficulties and debt crises, safeguarding macroeconomic stability and fiscal sustainability.

Complementary Technical Assistance and Capacity Building

Concessional loans often come bundled with complementary technical assistance, capacity building, and policy advice to enhance project implementation and institutional effectiveness. Technical assistance programs provide expertise and knowledge transfer in areas such as project design, management, monitoring and evaluation, strengthening the capacity of recipient to achieve development outcomes.

2.5.2 Disadvantages of Concessional Loan

While concessional loans offer several benefits, they also face criticism and pose certain disadvantages, particularly in the context of long-term sustainability and potential negative consequences for borrower. Here are some common disadvantages and criticism associated with concessional loans.

Debt Dependence and Overreliance

Concessional loans can lead to debt dependence and overreliance on external financing. Particularly; if, borrower continuously borrow to finance recurrent expenditures or unsustainable projects overreliance on concessional loans may exacerbate debt vulnerabilities, limit fiscal space, and undermine long-term economic sustainability.

Risk of Debt Distress

While concessional loans offer favorable terms and conditions, excessive borrowing can still pose risks of debt distress, especially if borrower countries fail to manage debt prudently or if economic conditions deteriorate. Debt distress can result in debt crises, fiscal instability, and the need for debt

restructuring or bailout assistance, imposing significant costs on both borrower countries and lenders.

Conditionality and Policy Implications

Concessional loans often come with the conditionality attached, requiring borrower to implement specific policy reforms, structural adjustments, or business improvements. Critics argue that this conditionality may infringe domestic ownership and accountability in development initiatives.

Interest Rate Risk

While concessional loans offer below-market interest rates, they are still subject to interest rate risk, particularly if market interest rates rise over the loan's tenure, higher than expected interest.

2.6 Concept of Bank & Commercial Bank

A Bank may be defined as an institution, which performs financial, economic & monetary activities. The word 'BANK' commonly refers to the commercial banks. The oxford dictionary defines banks as "An establishment or keeping money and valuable safety, the money being paid out on the customer's order (by means of cheque).

The encyclopedia Americana define "A bank is a business organization that receives & hold deposits of funds from others, makes loans or extends credit & transfer funds by written order of depositors."

Commercial Bank Act 1974 of Nepal has defined, as "A commercial Bank is one which exchanges money, deposits money, accepts deposits, grants loan & performs."

Bank meant for co-operative, agriculture industries for such specific purpose. "Principally commercial banks accept deposits and provide loans, primarily to business firms there by facilitating the transfer of funds in the economy."

Commercial banks are mainly established to facilitate the development of industry, trade & commercial sector of the country. The first bank of the world was the Bank of England established in 1694 AD as a central bank of Britain (Panta, 1999:45).

2.7 Function of Commercial Bank

All types of banks & financial institutions are corporate body of the country and operated under the law specified by the act of country. The main functions of commercial bank are to accept the deposit, where people keep their money for safety purpose with full confidence of receiving bank on demand on the other hand people have also advantage to obtain loan from the bank for their financial needs. The function & service of a modern commercial bank are classified under following heads. Bank receives the deposits from the public and institutions. It gives facilities for opening different deposits through which the bank can accept deposit. They are current account, saving account, fixed account, call account and special deposit scheme etc.

The primary function of commercial bank is the extension of credit to worthy borrower. Lending by banks contributes a lot to the economy in terms of financing agricultural, commercial, industrial and other activities of the nation. One of the major functions of the commercial banks that separate it from other financial institutions is the ability to create money and to reduce money, which is accomplished by the lending and investing activities. The power of commercial banking system to create money is of great economic significance as it results in the elastic credit system that is necessary for economic progress at a relatively steady rate of growth.

Payment mechanism is a part and parcel of commercial banks which makes use of cheques, credit/Debit cards, facilitating safe and efficient transaction. The commercial bank efficiently arranges foreign exchange required by the issues of commercial letter of credit.

Commercial banks develop locker facilities for the public to keep valuable things in their locker. Commercial banks introduce new product in banking sector like as SMS banking, online banking, ABBS banking, Mobile banking, Gold Selling facility etc.

2.8 Concept of Credit

A credit is one of the most important factors in commercial banks. Credit management is a crucial factor for commercial banks as it significantly influences profitability. Proper credit management ensures higher profits, which is why it's imperative for banks to focus on it to achieve their goal of profit maximization. Credit refers to the amount of money lent to an individual, organization, or institution, with the expectation of

repayment within a specified period, including an agreed-upon interest rate. According to the Oxford Advanced Learners Dictionary (1992:279), credit is the "sum of money lent by a bank or similar institution." On the balance sheet of a commercial bank, credit and advances are vital components of the asset side.

Banks earn interest on credits and advances, which constitute a significant source of their income. It is imperative for banks to prepare a credit portfolio; failure to do so can result in an increase in bad debts and negatively impact profitability (Varshney, 1994:6)

Credit represents financial assets that result from a lender delivering cash or other assets to a borrower, in exchange for the borrower's commitment to repay at a specified date or upon demand. Banks typically extend credit in four primary ways (Chhabra and Taneja, 1998:4).

- Overdraft
- Cash credit
- Direct credit

In the case of Agricultural Development Bank Limited concessional loan process starts from screening the client to the disbursement to the loan. When the project proposal is prepared, there should be a detail analysis of its significance and possibility before the concessional loan released. If there are any weaknesses regarding the data or the supporting documents in the project proposal, they should be corrected and the new information should be included. If the project proposal is correct and meets the need of the firm, disbursement process is forwarded. However, if there are any mistakes in proposal, they must be corrected or revised completely. (Agricultural Development Bank Limited, Credit Manual 2073) Agricultural Development Bank Limited offer following types of credit services.

- a) Agriculture and MSME Loan
- b) Consumer loan
- c) Corporate loan
- d) Subsidized loan

2.8.1 Agricultural and MSME Credit

It is well known fact that the demand for the food items in the country is increasing day by day due to increasing population, change of diet, rapid development and urbanization. It is almost impossible to address this demand without commercialization and diversification of subsistence farming system. Today's need is for all the concerned stakeholders to provide all possible support for the promotion and development of agriculture from the respective areas.

The Agriculture Development Bank has been established as the leading bank in disbursing agricultural credit in the country and has reached the stage of carrying great responsibility. The bank is using various credit instruments to facilitate the capital management required for the operation of agriculture and livestock related business. The bank is providing the following credit facilities related to agriculture and animal husbandry to address the demands and expectations of farmers and agribusiness at all levels.

- Agricultural Loan
- Livestock & Poultry Credit
- Fishery & Aquaculture Credit
- Agriculture Mechanization
- Storage
- Process
- Markets and Marketing
- Consortium Loans

2.8.2 Consumer Loan

The Agriculture Development bank is providing the following credit facilities related to consumer loan at all levels.

- Household Loan
- Overdraft Loan
- Home Loan
- Home Purchase Loan

- Land Purchase Loan
- Education Loan
- Hire Purchase Loan
- Auto Loan
- Gold and Silver Loan
- Margin Lending
- Loan against Fixed deposit
- Loan against Government Securities
- Reconstruction Loan
- Salary Account Loan
- Mortgage Loan
- Employee Service Loan

2.8.3 Corporate Loan

The Agriculture Development bank is providing the following credit facilities related to corporate loan at all levels.

- Business Loan
- Wholesale Lending
- Industry Loan
- Service Loan
- Overdraft Loan (Corporate)
- Hydropower and Alternative Energy Loan
- Saral Thekka Patta Loan
- Hypothecation Loan
- Business Complex and Housing Loan
- Consortium Loan
- Bridge Gap Loan
- Trust Receipt Loan
- Export Loan
- Advance on Credit
- Credit Card Facility
- Guarantee Claim Loan

- Tourism Service Loan
- Home stay Service Loan

2.8.4 Subsidized/ Concessional Loan

To provide self-employment to the educated youth to work in agriculture and animal husbandry professionally, for projects established and operated by the youth who have returned from foreign employment, to make women entrepreneurs, to develop businesses run by Dalit community, loans will be provided for the higher and technical and vocational education, construction of private houses for earthquake victims, operation of textile industry, training from institutions recognized by the council for technical education and vocational training and youth self-employment loans.

Loan customers will be considered as eligible Nepali citizens or individual firms/ partnership firms/ companies/ groups/ institutions that are regularly renewed and registered with the concerned body. The bank offers the following concessional loans:

- Agriculture and Livestock Loan
- Educated Youth Employment Loan
- Project Based Loan for Youth Returned from Abroad
- Women Entrepreneurship Loan
- Business Development Loan for Backward Communities
- Business Education Loan for Higher and Technical Studies
- Loan for Earthquake Victims
- Clothing Industry Operational Loan
- CTEVT Training Related Loan
- Youth Employment Loan

2.9 Credit Management Systems & Policies of ADBL

Effective credit management systems and policies are crucial for financial institutions to preserve liquidity, ensure profitability, and maintain stability. They also support responsible lending practices and safeguard against potential losses due to credit defaults.

- a) **Credit Policy:** Credit policy is a road map for the credit operation and management to the delivery of cash or other assets by a lender to a borrower in return for an obligation repay on specified date on demand as per govern by policy or credit manual.
- b) **Credit appraisal:** Taking into account all relevant aspects of the applicant/applicant's such as:
- i Audited/un-audited financial statistics for the past 5 years:
 - ii Profile on the entity: Background of the promoters/proprietors/partners/directors and experience, installed/utilization of capacity, product mix, process, Management team, shareholding pattern, group companies, Marketing arrangements, Export potentials, macro level industry scenario such as the competitors etc.
 - iii Demand and supply
 - iv Risk factors: what could spoil the party etc.?
 - v Details of credit facilities required along with rationale
 - vi Projected profitability estimates and cash flows
 - vii Industry Scenario
 - viii Regulatory environment
 - ix Market reports
- c) **Credit approval:** The separation of credit marketing and credit approval processes, along with independent evaluation of proposals originating from the marketing department, is essential.
- d) **Post approval procedures:** Documentation, security verification, insurance coverage, etc., are crucial aspects to consider.
- e) **Post disbursal procedures:** Monitoring account conduct, servicing debt, conducting periodic security verifications, reviewing performance regularly, performing credit checks, and auditing by external agencies are all crucial. Additionally, tracking unconventional indicators such as smoke signals can be part of a comprehensive monitoring strategy.
- f) **Assessment of other risk factors/risk mitigates:** Environmental, regulatory, and collection risks in relation to exports, counterparty, exchange risks, and the Indo-Nepal Treaty, among others, are significant considerations.

- g) **Recovery management:** Establish a dedicated setup for an exclusive focus on exhausting 'self-help remedies' and for processing out-of-court settlements, out-of-court workouts, and for filing claims with the DRT, as per the Recovery & Settlement policy. (Credit Manual 2073, Agricultural Development Bank Limited)

2.10 Principle of Credit Policy of Agricultural Development Bank Limited

One of the basic functions of commercial banks is to provide credit. Out of total incomes, on an average 60%-70% of incomes coverage from lending activities, such income, based on lending is known as exposure-based income because banks are exposed to default risk. Good credit policy is essential to carry out the business of lending more effectively. Some policies of agricultural development bank limited are as follows:

2.10.1 Principle of safety

When making a loan, a banker must ensure that the advance is secure, meaning the money will be returned. This requires that loans be granted only to trustworthy borrowers with impeccable reputations in the business community. The borrower's integrity must be unquestionable, especially when the security is insufficient to cover the advance. A dishonest borrower might misuse the funds for purposes other than those initially presented to the bank. Therefore, the banker must ensure that the advance is not only in safe hands but also that it remains secure throughout the lending period and is repaid with interest when due. (Agricultural Development Bank Limited, Credit Manual2073)

2.10.2 Principle of Liquidity

Liquidity refers to having cash on hand or in accounts that can be easily accessed without the need to sell long-term assets at a loss in an unfavorable market. According to the American Institute of Banking 'Principles of Bank Operation' (USA, 1972:149), a banker must ensure that money will be available on demand or according to the agreed terms of repayment. Banks often align their deposits with their lending, matching long-term deposits with long-term lending and short-term deposits with short-term lending. The majority of a bank's deposits are payable on demand or at short notice. If bankers lend only

to long-term borrowers who repay slowly, the bank may not be able to meet the daily withdrawal demands of its depositors. This could jeopardize the bank's reputation and even lead to its failure. Therefore, bankers place great importance on liquidity. (Agricultural Development Bank Limited, Credit Manual 2073)

2.10.3 Principle of Security

Collateral serves as a cushion for granting advances and credits. Sufficient collateral values ensure the timely and proper recovery of credit. The accepted security should be easily marketable, accessible, and unencumbered. Banks consistently strive to secure the maximum available security from borrowers. Adequate security must be held against loans. No compromises should be made in securing the maximum possible from clients when lending. This ensures that, in times of financial distress, the securities are ample to cover the bank's loan. (Agricultural Development Bank Limited, Credit Manual 2073)

2.10.4 Principle of purpose of Credit

Bankers grant loans and advances to customers solely for productive purposes, not for hoarding or speculative activities. If a client engages in speculative business, bankers should avoid such clients to prevent potential risks during downturns. Funds should be used to increase production turnover by initiating new business ventures that create employment and align with government policies. Therefore, the objective of lending should always be productive. (Agricultural Development Bank Limited Credit Manual 2073)

2.10.5 Principle of Profitability

Profitability denotes the value created by the use of resources is more than the total of the input resources. Banks should provide loan to such project that can provide optimum amount of return. For such purpose, banks should take a little bit risk by providing credit to ventures project. Commercial banks are set up, much like any other business institutions, with the objective of generating profit. Without profit, banks would be unable to pay interest on the deposits they hold. They face significant administrative costs while striving to maintain service efficiency and appealing premises. Therefore, profitability is one of the most

crucial factors considered during the lending process. (Agricultural Development Bank Limited Credit Manual 2073)

2.10.6 Principle of national interest, suitability

When providing loans or advances, the national interest should not be compromised. Priority should be given to the deprived sectors of the economy and other marginalized sectors when extending financial support. Banks must ascertain on what type of business the customer is involved, whether it serves the national interest or not, whether the firm is acting responsibly powers the society that it is operating in, like brick industry or cement industry and the precautions taken by it against environment pollution. Central bank issues directives, prohibiting banks to invest in various sectors such as the import of arms etc. The bank must remain vigilant of the law-and-order situation where the borrower carries its business (Agricultural Development Bank Limited, Credit Manual 2073).

2.10.7 Basic things for Issuing Concessional Loan by ADBL

The provision of concessional loans by ADBL is pivotal in fostering rural development, bolstering food security, and elevating the quality of life in agricultural communities. Aligning lending practices with these fundamental policies,

a) Character and reputation of the borrower

The policy of Agricultural Development Bank Limited is to extend concessional loans exclusively to selected borrowers. It is essential to acquire credit references, historical data on grant financing, and the status of projects when needed to establish creditworthiness.

b) Purpose

All loans should serve a specific and legitimate purpose. It's crucial that the funds from a concessional loan are utilized for productive activities that will aid in repaying the loan. Such activities can include the purchase of inventory, equipment, or the construction of a building. A business plan is necessary to

ensure that the loan application aligns with an established growth strategy. (Credit Manual 2073, Agricultural Development Bank Limited)

c) Repayment

The repayment structure of concessional loans from ADBL is designed to bolster sustainable agricultural development and ensure responsible lending practices. Concessional loans, offering rates lower than commercial ones, may feature a grace period, interest subsidies, or forgiveness under certain conditions. Through these initiatives, ADBL seeks to foster financial inclusion, boost agricultural productivity, and support the economic prosperity of rural communities.

Working capital loans are expected to revolve and fluctuate over the term of their validity. If this is not the case, a quarterly repayment schedule should be instituted. Additionally, all loans should have a secondary repayment source to cover the eventuality that the primary source fails to fully repay the loan. This could include personal guarantees or the sale of secured assets. (Credit Manual 2073, Agricultural Development Bank Limited)

d) Terms and Conditions

The bank prefers to limit the duration of term loans. Exceptions may be considered under certain conditions. Typically, repayment should begin no later than one year following the drawdown. In special cases, a two-year grace period may be granted. Ideally, the loan should be amortized in consistent quarterly installments throughout the term. Balloon payments are usually discouraged, unless they aid in restructuring debts. As a rule, at least 50% of a term loan should be repaid before contemplating additional term loans or refinancing,

e) Collateral Security

The collateral requirements for concessional loans differ based on the bank's policies and the specific loan program. A range of collateral types may be accepted, tailored to the loan's amount and purpose. This can include land titles, agricultural machinery, equipment, livestock, or other tangible assets associated with agricultural activities. All loans must be sufficiently secured, with the security properly arranged before the loan disbursement. For concessional

loans, no collateral is required for amounts up to 15 lakh and up to 5 crore in agriculture-based businesses.

f) Guarantees

A guarantee will be necessary to support a loan when required. For business borrowers, the personal guarantees of the promoters and directors will be mandatory. It is essential to assess and document the reputation and financial capacity of the guarantors for the credit file. A net worth statement is produced for this very reason.

g) Management of Borrower

Verifying the background and experience of management is crucial to ensure their ability to successfully run a business. Additionally, it is important to ascertain whether the company has a succession plan in place for the departure of a key manager.

h) Relationship Banking

The goal is to cultivate a long-term relationship with borrowers, fostering growth over time. Financing a "one-off" transaction with no potential for future business is not advisable. The bank's emphasis on relationship banking aims to build a robust connection with customers to meet their future financial requirements.

i) Pricing for Risk

Pricing for risk involves different considerations compared to traditional commercial loans, owing to the concessional nature of the lending. In the case of concessional loans provided by ADBL, it is crucial to balance the objectives of borrower affordability with the necessity to maintain financial sustainability and effectively manage risk. The pricing for credit facilities must align with the associated risk and the level of administration required for an account. NRB regulations allow for pricing to be adjusted by plus or minus 0.50% from the published rates. Accounts with higher risk or substantial administrative demands should be priced at the higher end of this range. Additionally, the bank offers provisions for lower interest rates on certain products for borrowers.

2.11 Types of Credit

Credit is an essential financial instrument that enables individuals and businesses to borrow funds or acquire goods and services with a commitment to repay in the future. Comprehending the various forms of credit can assist consumers and enterprises in making knowledgeable choices regarding their financial management.

2.11.1 Overdraft Loan, Hypothecation Loan and Cash Credit

An overdraft facility allows the withdrawal of funds exceeding the account balance. Customers may be granted a specific limit based on certain criteria within a designated period. The balance in an overdraft account can vary, increasing with withdrawals and decreasing when the customer deposits funds. This facility is provided to meet the working capital requirements of the borrower, addressing their short-term financial needs.

The bank provides financing against the hypothecation of current assets, such as stocks and accounts receivable, to fulfill short-term cash needs through a revolving hypothecation loan with terms of up to 365 days.

2.11.2 Term Loan

This refers to a sum of money lent all at once to borrowers. It is a primary form of medium-term debt financing with maturities ranging from 1 to 15 years. Brealey & Myers suggest that bank loans with maturities over one year are termed as term loans. The firm commits to paying interest at the bank's prime rate and to repaying the principal through regular installments. Unique repayment schedules of the principal can be arranged to accommodate the firm's specific needs (Richard, 1996:80). Such loans are provided for initiating or enlarging a new project, industry, or any venture that requires an investment in fixed assets. They also fulfill the borrower's long-term fixed asset needs. (Agricultural Development Bank Limited Credit Manual 2078)

2.11.3 Priority or Deprived Sector Credit

Commercial banks are mandated to allocate advances to priority and deprived sectors, with at least 5% of total credit directed towards these areas. The Agricultural Development Bank Limited provides loans to these sectors as part

of its commitment to sustainable development. Banks aim to harmonize their immediate and future financial objectives with the economic, environmental, and social requirements of upcoming generations. They regard financing for priority and deprived sectors as a potent instrument to combat poverty, empower the socially disadvantaged, and reinforce societal cohesion. (Agricultural Development Bank Limited, Credit Manual 2073)

2.11.4 Hire Purchase Credit

Hire purchase agreements involve the periodic repayment of both the principal and interest throughout the term of the credit. A recent survey of commercial banks suggests that these institutions are considering the provision of installment credits with variable interest rates. Such credits can be secured or unsecured, as well as direct or indirect. (Agricultural Development Bank Limited, Credit Manual 2073)

2.11.5 Non-Funded Facilities

Banks can open letters of credit or issue various guarantees on behalf of customers to beneficiaries for different purposes. The major non-funded facilities include:

- Letters of Credit
- Bid Bonds
- Performance Bonds
- Financial Guarantees
- Advance Payment Guarantees

In fact, bank guarantee and letter of credit refer to off balance sheet transactions of financial institution. It is also known as contingent liability, which may or may not arise during the happening of certain event. Footnotes are kept and reference to them instead of recording in the books of accounts. It is non-funded based remunerative facilities but less risky than the funded business.

2.11.6 Consumer Loan: Housing/Auto/Education/Gold and Silver

Financial institutions offer various types of housing credit to their customers, including for residential buildings, commercial complexes, and warehouse construction. These loans are available to individuals with a steady income or those who can generate revenue from the housing project itself. The Agricultural Development Bank Limited has introduced a home loan that allows customers to use their savings intelligently, giving them the flexibility to determine their interest payments.

For individuals or companies seeking a brand-new vehicle for private use, considering a vehicle loan can be a wise business decision. Banks offer vehicle loan schemes with flexible payment systems structured over seven years. Education represents the most significant investment in one's life. Pursuing higher studies and specializations often requires additional financial support. The Agricultural Development Bank Limited provides education loans that can facilitate further studies both abroad and within Nepal.

Agricultural Development Bank Limited recognizes the financial needs of borrowers during festivals, marriages, personal emergencies, and other social obligations. Loans against gold and silver fulfill these needs by providing quick credit for up to one year. (Agricultural Development Bank Limited, Credit Manual 2073)

2.11.7 Project Loan, Consortium Loan and Revolving line of Credit

Project credit is granted to the customers as per project viability. The borrowers have to invest certain proportion to the project from their equity and the rest will be financed as project credit. The maturity terms for construction loans can vary from 12 months up to 15 years, contingent upon the scale of the project.

The fundamental principle of a disbursement policy is to allocate funds in alignment with the project's stage of completion. Therefore, the policy must clearly specify the percentage of credit to be disbursed at each completion stage. This applies to both term credits and working capital credits required for the project.

When a single financial institution cannot grant credit to a project due to the single borrower limit or other reasons, two or more institutions may agree to provide a credit facility to the project, known as consortium credit. This arrangement distributes the project's risk among them. Both finance and banking institutions hold an equal charge on the project's assets.

Banks are increasingly using charge cards and revolving lines of credit to extend unsecured consumer credit. Revolving credit lines lower the cost of extending credit by reducing operating and processing expenses. Standardization and centralized department processes result in reduced administrative costs for revolving credits. The continued borrowing arrangement further enhances cost advantages. Once the credit line is established, customers can borrow and repay according to their needs, and the bank can supply funds at a lower cost.

Charge cards and credit lines linked to demand deposit accounts are the two most prevalent types of revolving credit agreements. These can be further categorized into credit cards and automatic overdraft lines. (Agricultural Development Bank Limited Credit Manual 2073)

2.12 Lending Criteria

Lending criteria are the standards and requirements that lenders use to evaluate the creditworthiness of potential borrowers before granting a loan or credit line. These criteria differ based on the loan type, lender policies, and prevailing economic conditions. Basically, screening a credit application 5-Cs to be first considered supported by documents.

2.12.1 Character

Character is the analysis of the applicant as to his ability to meet the obligations put forth by the lending institution. For this analysis, generally the following documents are needed.

- Memorandum of Association/Articles of Association
- Registration certificate
- Tax registration certificate, timely renewed
- Resolution to borrow

- Authorized person to deal with the bank
- References from other lenders with whom the applicant has dealt in the past, including bank account statements of customers.

2.12.2 Capacity

It refers to the customer's payment capability, assessed through the applicant's historical performance and physical observation. This includes interviews with the applicant's customers or suppliers to further clarify their financial standing.

Relevant documents include:

- Audited balance sheets and profit and loss statements for at least the past three years.
- References from other lenders who have previously dealt with the applicant's bank account.

2.12.3 Capital

This reflects the applicant's ability to contribute personal funds. Through capacity analysis, one can determine if the borrower is solely relying on the lender's money or also contributing their own capital to the project. Certified balance sheets, profit and loss accounts, and cash flow statements are essential tools for conducting a capital analysis. (Agricultural Development Bank Limited, Credit Manual 2073)

2.12.4 Collateral

Collateral is the security offered by a borrower. It can be either movable or immovable in nature. Movable collateral includes items such as stock and vehicle inventories. Immovable collateral, on the other hand, may consist of land, with or without buildings, and any machinery attached to it. (Agricultural Development Bank Limited, Credit Manual 2073)

2.12.5 Conditions

Once the funding company is satisfied with the character, capacity, capital and collateral then the credit agreement (sanction letter) is issued in favor of the

borrower stating conditions of the credit to within borrower's acceptance is accepted (Agricultural Development Bank Limited, Credit Manual 2073).

2.13 Project Appraisal

Before providing credit to the customer, bank makes various analysis of the project from various aspects and angles. It will help the bank to see whether project is suitable to invest. The purpose of project appraisal is to achieve the guarantee of reasonable return from the project. Project appraisal answers the following questions.

- Is the project technically sound?
- Will the project provide a reasonable return?
- Is the project in line with the overall economic objectives of the country?

Generally, the project appraisal involves the investigation from the following aspects. The first aspect is the financial aspect like balance sheet, income statement, cash flow statement and projected financial reports. The second aspect is Economical aspect like probability of business, rate of return, economically survival etc. The third aspect is Management/organizational aspect like Board of directors, company formation, HR management of company, experience of promoter/director etc. The fourth aspect is legal aspect like legal status of business, legal document, government policy etc. The final aspect is technical aspect like technically viable or not, technical manpower, infrastructure etc. (Agricultural Development Bank Limited, Credit Manual 2073).

2.14 Credit Classification & Provisioning

Credit classification and provisioning for concessional loans follow specific guidelines and practices aimed at assessing and managing the risks associated with these loans, taking into account their concessional nature and the socioeconomic goals they serve. To enhance the asset quality of BFIs, the NRB has instructed BFIs to categorize their outstanding loans and advances, investments, and other assets into specified categories. The NRB has also mandated that BFIs maintain certain provisions for loans that are classified accordingly. The current loan loss provisioning is detailed below.

Table 1: Loan Loss Provision

S.No.	Loans	Provision
1	Pass Loan	1%
2	Watch List	5%
3	Sub-standard Loan	25%
4	Doubtful Loan	50%
5	Loss Loan	100%

Credits that have not exceeded the payment schedule and are delayed by up to three months from the maturity date are categorized as pass loans, also known as performing credits. Loans that have surpassed the repayment schedule and are delayed by three to six months from the maturity date are termed substandard loans. Similarly, loans delayed by six to twelve months for recovery are classified as doubtful loans. Loans that remain unrecovered one year past the maturity date are labeled as bad loans. These three types of loans are collectively referred to as non-performing loans. The loan loss provision for performing credits is called general loan loss provision, while the provision for non-performing loans is known as specific loan loss provision, according to NRB Directives-2073

2.15 Factors Affecting Credit Policy

Generally, the following factors are to be considered to make effective credits managements. It is also called the factors of credit policy. It helps to get effective credit worthiness.

- Competition
- Financial position
- Attitude to risk & Bad debts
- The nature of the product
- Types of credit
- Economic climate
- Nature of the Bank management
- Cost of credit
- Credit limits
- Guarantees accepted by the bank

2.16 Theoretical Review

The book 'Commercial Banking' is authored by Reed, Cotter, Gill, and Smith (Reed, Cotter, Gill and Smith. 19870) focus on the importance of loan in banking sector. As per their view, loans are the most important asset held by banks and bank lending provides the bulk of bank income. Lending is not only important to the banks only, it is equally important to the community the banks serve. That is why loan policies must be worked out carefully after considering many factors.

Uwe (2005) conducted an analysis and further developed the foundational elements of modern credit risk management, including: definitions of default, estimation of default probabilities, exposures, recovery rates, pricing, concepts of portfolio dependence, time horizons for risk calculations, quantification of portfolio risk, estimation of risk measures, portfolio analysis and improvement, evaluation and comparison of credit risk models, and analytic portfolio loss distributions.

In the book 'Financial Analysis for Credit Management in Banks,' Singh and Singh argue that while the investment and credit policies of banks are largely influenced by the national policy framework, it ultimately falls upon each banker to exercise their own judgment when making a credit decision, taking into consideration their bank's credit policy as well (Singh and Singh, 1963).

In his book "Management Policies for Commercial Banks," Crosse (1963) states that lending is the essence of commercial banking. As a result, devising and implementing robust lending policies is one of the most crucial duties of bank directors and management. Well-thought-out lending policies and meticulous lending practices are vital for a bank to effectively perform its credit creation function and to minimize the risks associated with extending credit. Many factors must be considered before establishing a lending policy, as banks are not the actual owners of the deposits but merely custodians of the depositors' money.

Aryal (2000) conducted a study titled 'Loan Management of Agricultural Development Bank,' with objectives including the analysis of loan disbursement and collection targets and achievements, the relationship between the bank's loan disbursement and collection, the purpose-specific analysis of loan disbursement and collection, borrower perspectives on ADB/N and the impact of its loan collection and disbursement, and the evaluation of the role of interest rates, disbursement procedures, and other factors in

the bank's actual loan collection. His findings indicate that the actual loan disbursement, collection, and outstanding amounts are increasing at a decreasing rate. The trend shows a declining growth rate, with loan disbursements growing at a higher rate than collections. Consequently, production is one of the bank's major problems. There is a positive correlation between loan disbursement and collection. The loan collection and disbursement targets set by the planning and project department are not significantly different from the actual figures.

Subedi (2060) completed a thesis titled "Loan Management of Himalayan Securities and Finance Limited." The research aimed to analyze the loans and advances provided by HISEL from FY 2054/55 to 2058/59, examine the interest rate structure on future loans, assess the repayment of disbursed loans, evaluate the suitability of HISEL's loan policy according to the 'directives for finance companies' issued by NRB in 2058, investigate the effectiveness of HISEL concerning the issuance and recovery of loans, explore the perceptions of employees and clients of HISEL Limited regarding the institution's performance, and propose recommendations for future strategies to enhance the organization's current status.

The major findings of his research indicate that the current ratio of HISEL is significantly higher than the standard 2:1, averaging at 2.98, with a 77% consistency in this ranking throughout the study period. However, there has been an issue with cash remaining idle for several years. The loan and advances to total deposit ratio fluctuates between 78.49% and 95.41%, maintaining a 93.96% consistency during the study period. The average ratio is 85.93%, suggesting that the majority of collected deposits are channeled into loans and advances. A strong positive correlation exists between total deposits and loans and advances. The capital adequacy ratio has been over 10% throughout the study period, surpassing the 8% required by NRB directives, and has shown an increase in the last year. With an 86% consistency in this ratio, it indicates that the capital fund (net worth) is adequate to cover total deposits as per the 7% NRB directive. HISEL's average deposit during the research period exceeds that of the finance companies' industry. The net profit ratio is on a decline and turned negative in the fifth year, highlighting a weakness in loan lending practices. Changes in loans and advances result in variations in interest income. There is a strong negative relationship between net profit and paid-up capital; alterations in paid-up capital inversely affect net profit. Term loans, housing loans, land purchase loans, and fixed deposit receipt loans

constitute a significant portion of overdue loans. With the fixed deposit receipt loan showing a downward trend, it is recommended to focus more on term loans, housing loans, and land purchase loans for recovery.

Christian (2006) examined the varying intensities of three policies typically linked with financial repression: interest rate controls, statutory preemption, and directed credits, along with their impacts. The primary conclusion was that despite the level of financial repression, it was not possible to confirm any statistically significant adverse effects on savings, capital formation, or financial development, contradicting the forecasts of the financial liberalization hypothesis.

In their book 'Fundamentals of Investing,' Gitman and Jochnk liken bank investments to a vehicle, suggesting that they are a means by which funds can be deposited with the expectation of preserving or increasing in value and yielding positive returns. A banker aims for an optimal mix of earnings, liquidity, and safety when devising an investment policy.

Sharma (2005) conducted a study titled "Loan Disbursement and Collection of Nepal Bangladesh Bank Limited." The research aimed to analyze the trend of each year's deposit collection, assess the proportion of loan disbursement to total deposits, examine the various types of loans disbursed, and evaluate the status of loan recovery in relation to the total loans disbursed.

The major findings from research indicate that the bank's deposit collection is on the rise, albeit with fluctuations. A significant portion of these deposits, averaging around 77%, is disbursed as loans. Notably, the overdraft loan constitutes the largest share, with about 15% of the total loans issued as net overdraft. The comprehensive analysis of the study demonstrates that NBBL has been effectively performing its loan disbursement and collection functions.

Bhattarai (2005) conducted a study titled "Loan Management of Kathmandu Finance Ltd." The primary objectives of the research were to analyze the loans and advances of KAFL, examine the interest rate structures of loans and advances as well as deposits, and evaluate the repayment necessity of the disbursed loans.

The major findings of the study indicate that interest income from loans and advances has a strong positive correlation. Variations in loans and advances result in

corresponding changes in interest income. The average deposits and loans and advances of KAFL during the research period are comparable to those of the finance companies' industry. Term loans, housing loans, hire purchases, and overdrafts hold significant positions in outstanding loans. There is a declining trend in fixed deposit receipt (FDR) loans. Therefore, more focus should be placed on recovering term loans, housing loans, and hire purchase loans. An increase in interest income leads to an increase in before-tax (BT) income, and the reverse is also true.

Afroz (2013) discovered that Bangladesh Krishi Bank initially focused its lending on primary agriculture to assist the poor in rural areas. Subsequently, it expanded its lending to include secondary agriculture. This diversification led to greater transparency in the bank's financial position and an anticipation of improved results in the near future.

Winton (1999) advised that regulators should exercise caution when promoting diversification across various sectors or regions as an objective for banks and related intermediaries. While such diversification might lower the likelihood of bank failure and enhance bank performance by improving monitoring incentives, it is not without potential drawbacks.

Ivaškevičiūtė, Mačerinskienė, and Laura (2008) proposed that distributing the loan portfolio into sub-portfolios based on the bank's activity segments—such as large-scale projects, corporate, and private clients—yields more comprehensive results and evaluations of the loan portfolio.

Morris (2001) observed that supervisory authorities in most of the surveyed countries impose limits on banks' large exposures, typically capping an individual large exposure to a single borrower or a closely related group of borrowers at around 25% of the bank's regulatory capital.

IDA (2023) Supported to alleviate poverty and promote shared prosperity, it is essential for countries to foster growth that generates more, improved, and inclusive employment opportunities. Following the economic and job market disruptions caused by the COVID-19 pandemic, the IDA is dedicated to fostering better employment and sustainable, inclusive economic growth in sectors with high potential. The IDA20, guided by eight JET policy commitments, highlights and gives precedence to sectors with the capacity to stimulate job creation in the aftermath of COVID-19. These sectors

are characterized by their climate and environmental sustainability, as well as inclusivity. The JET's strategy includes embracing digital technology, widening broadband connectivity, investing in agricultural and food security, ensuring quality infrastructure investments, and mitigating challenges faced by micro, small, and medium-sized enterprises (MSMEs).

ADB has arranged, structured, and syndicated the entire financing package, marking the largest syndicated renewable project financing transaction in ASEAN countries to date. The package includes a \$100 million A loan from ADB's ordinary capital resources, a \$150 million syndicated B loan, \$50 million in concessional financing, \$382.55 million in parallel loans, and a \$10 million grant. The innovative use of concessional blended finance played a crucial role in overcoming the project's bankability challenges to attract commercial capital (John, 2023).

With the emergence of COVID-19, the IMF swiftly increased emergency financing and program support through the PRGT, with new commitments totaling nearly \$9 billion (6.5 billion special drawing rights) in 2020. Since the pandemic began, the IMF has aided over 50 low-income countries with around \$30 billion (SDR 22.5 billion) in interest-free loans via the PRGT, helping to prevent instability in many of the world's poorest nations, including Haiti, the Democratic Republic of Congo, and Nepal. As the financing needs of low-income countries grow rapidly, the demand for PRGT lending is expected to reach close to \$40 billion (SDR 30 billion) from 2020 to 2024, which is more than four times the historical average (IMF, 2024).

The OECD Committee's primary goal is to foster development cooperation and related policies to support the execution of the 2030 Agenda for Sustainable Development. This includes promoting inclusive and sustainable economic growth, advancing equality both within and among nations, eradicating poverty, enhancing living standards in developing countries, and working towards a future where no country relies on aid (OECD, 2024).

CHAPTER III

RESEARCH METHODOLOGY

This chapter contains philosophical foundation, research design, nature and sources of data, data collection techniques, validity, reliability and ethical consideration of the study. The objective of this chapter is to describe the details of the research design, location of the study area, source of data universe, sampling, data collection techniques, data processing, methodological approach and rationale of the selection of the study area to analyze and explore the status of concessional loan. Research methodology outlines the definition of research activities, the process to follow, and the metrics for progress. It can be seen as the science of studying how research is conducted, as discussed in this chapter. This study primarily utilizes quantitative data; the primary data was sourced directly from both service providers and recipients using various investigative methods, including questionnaires and interviews. Secondary data was gathered from materials such as booklets, directive manuals, journals, and both published and unpublished sources of information.

3.1 Philosophical Foundation

Research is fundamentally shaped by philosophical assumptions that underpin the design, methodology and interpretation of findings. A philosophical foundation in social science research refers to the underlying assumptions, perspectives, and beliefs that shape the methodology, interpretation and application of research within the social sciences. The philosophical foundation of concessional financing is multifaceted, encompassing principles of fairness, solidarity, long-term investment in human development, risk mitigation, and an ethical imperative to promote global well-being and dignity. These principles guide the design and implementation of concessional financing programs aimed at fostering sustainable development and reducing poverty worldwide

Philosophical foundation offers a comprehensive framework for understanding the philosophical underpinnings of research endeavors. At the heart of research lies the ontological question concerning the nature of reality. A positivist perspective asserts an objective reality that exists independent of human perception, advocating for empirical observation and quantifiable measurement. In contrast, interpretive paradigm posits a

subjective reality constructed through social interactions and interpretation, emphasizing the importance of understanding lived experiences and multiple perspectives. The ontological concern of concessional financing examines its fundamental purpose, effects on individuals and societies, contribution to structural transformation, the time-related aspects of its impact, and the ethical-moral principles guiding its implementation.

Epistemologically, research grapples with questions of knowledge acquisition and validation. Positivism privileges the scientific method and seeks to uncover universal laws through systematic observation and experimentation. Social scientist on the other hand, emphasizes the subjective nature of knowledge. The epistemological examination of concessional financing critically assesses the methods, validity, context relevance, impact evaluation, and ethical aspects of knowledge creation and utilization in development finance. Thoughtful consideration of these issues enables stakeholders to improve the efficacy, equity, and durability of concessional financing initiatives designed to foster global development and alleviate poverty. By recognizing and engaging with philosophical foundations of research, scholars can navigate methodological choices, interpret findings, and contribute meaningfully to disciplinary knowledge.

3.2 Research Design

Research design is the overall strategy that we plan to integrate the different components of the study in coherent and logical way which will effectively address the research problem. It is also called as a blueprint of the research for the collection, measurement and analysis of data. Research design refers to the overall plan or strategy that a researcher outlines for conducting a study. It encompasses the methodology, data collection techniques, sampling strategy, and analytical approach that will be employed to address the research question. Research design is crucial for ensuring the validity, reliability, and generalizability of the findings.

This study employs a descriptive and analytical research design because descriptive research provides insights into current social issues for policymakers, and analytical research assesses the impact of policy interventions.

Research is a systematic and organized approach to investigating a specific problem in order to find a solution (Sekeran, 2009). A research design is a structured plan or strategy for conducting research, encompassing philosophical underpinnings, strategies of inquiry, and specific methods. It details the methods and procedures for collecting and analyzing the variables outlined in the research problem. The design determines the type of study—descriptive, correlational, semi-experimental, experimental, review, or meta-analytic—and its subtypes, such as a descriptive-longitudinal case study. It also defines the research problem, hypothesis, independent and dependent variables, experimental design, data collection methods, and statistical analysis plan, if applicable. A research design is a framework that has been created to find answer to research questions.

To conduct the research and find the answer as outlined in the problem statement, this research design has been conceived. Both qualitative and quantitative research methodologies were used in this study. The study based upon descriptive, analytical, as well as quantitative research design.

3.3 Nature and Sources of Data

The nature and sources of data in research can vary widely depending on research questions, methodology and field of study. Data can be broadly categorized into two types. The data for this study have been collected from primary and secondary sources.

3.3.1 Primary Data

Primary data refers to original data collected first hand by the researcher specifically for the research project at hand. Primary data are the data observed and collected directly from the first-hand experience. The proposed of the study based on the primary data. This data is gathered through direct observation, surveys, experiments, interviews, or other data collection methods. It allows researcher to control the data collection process and tailor it to their research needs. The structured questionnaire survey and open-ended interview was

administered to the respondents to collect most of the primary data. The researcher himself collected the primary data from the mentioned populations group and sample size.

3.3.2 Secondary Data

Secondary data refers to data that has been collected and documented by other for purposes other than the current research project. Secondary data can be valuable for researcher as it is readily accessible, cost-effective, and can provide factual information. Published Data and the data collected in the past are secondary data for the research study. The secondary data are obtained through the government database such as demographics, economic indicators and public statistics, academic journals, books and reports, online repositories, organizational records, directives manuals, professional journals and newspaper.

3.4 Populations and Sampling

Population and sampling are the fundamental concepts in research methodology. The population refers to the entire group of individuals, cases, or elements that meet the criteria for inclusion in a research study. It is a group to which the researcher wants to generalize the findings of the study. Population can be defined based on various characteristics, such as demographic attributes, geographic location, or other relevant criteria. Sampling involves selecting a subset of individuals or cases from the larger population to represent it in a research study. The purpose of sampling is to draw valid conclusions about the population while minimizing the time, cost, and resources required for data collection

The employee of Agriculture Development Bank -250, and Debtor of the Agricultural Development Bank Limited especially concessional loan debtor-1250, were the universe of this study. Sampling denotes to a small group of people or things taken from a larger group and used to represent the larger group. The sample population for this study was taken from different places, and the purposive sampling method was applied in this sampling. Purposive sampling method is a non-probability sample that is selected based on characteristics of the populations and the objective of the study. Purposive sampling is also known as judgmental, selective or subjective sampling. This

type of sampling can be very useful in situations when researchers need to reach a targeted sample quickly and where sampling for proportionality is not main concern. The total sample population of this study were 150 respondents (Debtor) and 50 (Agricultural Development Bank Limited officials) of the different branches. There were key informants who were directly engaged in the concessional loan which was in the fixed number. The structured survey questionnaire was administered to the respondents by the purposive sampling method. Therefore, adequate measures are developed to accommodate respondents from different backgrounds such as gender, ethnicity, religion, age group, occupation and education for avoiding bias. The detail of the respondents for the research is presented below.

Table 2: Sample Population of the Study

Categories of the respondents	Total no. of respondents
Clients (Concessional Debtors)	150
Officials (Bank Staffs)	50
Total	200

Source: Field Survey, 2023

3.5 Data Collecting Tools and Techniques

Data collection tools and techniques are method used by researcher to gather information or data for the research projects. The choice of data collection tools and techniques depends on various factors, including the research objectives, research questions, methodology, and the nature of the data being collected. The purpose of data collection is to collect people's perceptions and views on concessional financing. Data collection is a component of research in all field of study, its emphasis on ensuring accurate and honest collection remains the same. Data collection is a systematic approach of gathering and measuring information on targeted variables in an established system. This then enables one to answer relevant questions and evaluate outcomes.

Structured questionnaire and semi-structured interviews were used to collect data for this research. The questionnaire survey was administered to the service receivers (Debtors) of Agricultural Development Bank Limited. This was most relevant to measure the effectiveness of credit appraisal process of Agricultural Development Bank

Limited. The main objectives of the questionnaire were to find the perception, attitudes and beliefs of the respondents on how effectively services were delivered from the bank.

3.6 Data Analysis Procedure

Data which are collected are analyzed by statistical and non-statistical tools. Mostly Quantitative data analysis was carried out with SPSS, using descriptive statistics. The collected data are edited, classified, coded and then analysis with the help of SPSS. Descriptive statistics were used to describe the demographic characteristics of the respondents. Both the qualitative and quantitative technique was used to analyze the collected data as a whole.

3.7 Reliability and Validity

Reliability and validity are two essential aspects of data quality in research. They are crucial for ensuring that the data collected accurately reflects the construct being measured and can be trusted to produce meaningful and credible findings. Reliability refers to the consistency, stability, and repeatability of measurements or data over time and across different conditions. A reliable measurement or instrument produces consistent results when applied repeatedly to the same subjects or phenomena. Validity refers to the extent to which a measurement or instrument accurately measure the construct or variable it is intended to measure. A valid measurement accurately reflects the underlying concept or phenomenon of interest and provides meaningful and interpretable results.

Validity concerned with the integrity of the results derived from research. The reliability and validity of data should be assured through following.

- By well managed data collecting tools.
- The questionnaires were administered in both Nepali and English language.
- The researcher directly contacts the respondents through survey questionnaire and interviews.
- Bank officials are competent and qualified, so they provide real and exact data.

3.8 Ethical Consideration

Ethics in social research are particularly crucial due to the potential impact on individuals, communities, and society as a whole. Ethical consideration in research is essential to ensure that studies are conducted responsibly, with respect for the rights, dignity, and well-being of participants, as well as the broader societal impact of the research. Research involves studying human behavior, attitudes, and interactions, which can raise unique ethical considerations. Ethical issues play a significant role in the density of the research study. To make this research more valid, the following ethical issues were taken into consideration during the research study.

- Researcher obtains Informed consent from participant before they include in a study.
- Researcher protects the Confidentiality and privacy of the participants by ensuring that any personal information kept secure.
- Researcher strives to minimize any potential risk or harm to participants.
- Researcher treats participants with respect, dignity and sensitivity to their autonomy and individual rights.
- The questionnaires were administered in Nepali and English both languages.
- Researcher directly contact with the respondent in the survey questionnaire and interviews.
- Clients are well known about the concessional financing, so they were answer real and exact data.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

This chapter focused on data presentation and analysis. Data presentation and analysis forms an integral part of all academic studies, commercial, industrial and marketing activities as well as professional practices. It is necessary to make use of collected data which is considered to be raw data which must be processed to put for any application. Data analysis helps in the interpretation of data and takes a decision or answer the research question. This can be done by using data processing, tools and software. Data analysis starts with the collection of data followed by data processing by various data processing methods and sorting it. Processed data helps in obtaining information from it as the raw data is non-comprehensive in nature. Presenting the data includes the pictorial representation of the data by using graphs, charts, maps and other methods. These methods help in adding the visual aspect to data which makes it much more comfortable and quicker to understand. This chapter discusses the data analysis and findings from 200 questionnaires completed by debtor, bank staff and top management who involving in concessional loan of Agricultural Development Bank Limited. The purpose of this study was to identify state of concessional loan in Agricultural Development Bank Limited.

4.1 Concessional Loan Statistics

According to NRB guidelines, banks and financial institutions offers loans under ten different categories, ranging from agriculture and livestock loans to youth employment loans. The latest report as of Mangsir 29, 2080 indicates that the total number of concessional loan recipients across all sectors is 140,158 according to the Concessional loan Interest grant Unified Procedure- 2075. The total approved loan amount stands at 242,399,712 thousand, with the highest amount of concessional loans, 154,397,767 thousand, allocated to agriculture and livestock programs, and the smallest amount, 400 thousand, designated for CTEVT Training Related Loans. The amount of loans issued without collateral is 2,860,713 thousand, while loans with collateral total 151,537,054 thousand.

The highest number of concessional loan recipients is under the women entrepreneurship loan category, with 80,227 debtors, while the lowest is in the CTEVT

training-related loan category. This data suggests that the provision of concessional loans is a state effort to empower women and integrate them into the nation's mainstream. The business development loan for the backward community amounts to 689,360 thousand, and the business education loan for higher and technical studies is 41,630 thousand. This indicates that the government is striving for equitable justice through distributive and redistributive policies. In the youth employment loan category, only 46 debtors have benefited from the concessional loan, with an investment of 28,366 thousand in that category. The clothing industry operational loan is another category of concessional financing aimed at promoting and protecting local clothing brands.

Table 3: Concessional loan (Mansir 29, 2080)

S. N	Types of Loan	Total No. of Debtor	Total Approved Loan	Total Loan Outstanding	Gain
1	Agriculture and Livestock loan	57,416	154,397,767	126,254,807	41.154
1.1	Without Collateral	4,218	2,860,713	1,638,145	0.534
1.2	With Collateral	53,198	151,537,054	124,616,662	40.620
2	Educated Youth Employment Loan	155	75,593	32,869	0.011
3	Project Based Loan for Youth Returned from Abroad	850	696,854	358,637	0.117
4	Women Entrepreneurship loan	80,227	84,442,551	51,771,810	16.876
5	Business Development Loan for Backward Communities	979	689,360	388,102	0.127
6	Business Education Loan for Higher and Technical Studies	118	41,637	29,279	0.010
7	Loan for Earthquake Victims	170	46,898	12,554	0.004
8	Clothing Industry Operational Loan	195	1,980,287	1,656,996	0.540
9	CTEVT Training Related Loan	2	400	158	0.000
10	Youth Employment Loan	46	28,366	24,666	0.008
Total		140,158	242,399,712	180,529,878	100

Source: NRB, 2023

Rs. in Thousands

The table indicating that ADBL has provided concessional loans targeted at the youth is quite intriguing. It includes loans for educated unemployed youth, project-based loans for youth returning from abroad, and general youth employment loans. This approach to concessional lending highlights the youth as the nation's most valuable asset, and empowering them through such loans is of great significance for both the individuals and the nation.

4.2 Subsidized Interest Loan Details of different years

Table 4: Subsidized Interest Loan Detail (End of Falgun, 2075)

Loan	No. of Total Loan	Approved Credit	Total Outstanding Amount
Commercial Agriculture and Livestock Loans	1,560	-	3,092,414,963.15
Educated Youth Self-Employment Loans	-	-	-
Youth returning from abroad project loan	-	-	-
Women Entrepreneurial Loans	-	-	-
Dalit Community Business Development Loan	-	-	-
Higher and Technical and Vocational Education Loans	-	-	-
Private housing construction loan for earthquake victims	91	-	187,265,123.65
Private housing construction loan for earthquake victims (as per Refinance Procedure, 2072)	-	-	-
Total	1651		3279,680,086.80

Source: ADBL, 2023

At the end of Falgun, 2075, the Agriculture Development Bank Limited reported that 1,560 loans were approved in the Commercial Agriculture and Livestock category, with a total outstanding amount of approximately NPR 3.09 billion. There is absence of specific values in certain categories implies that either no loans were approved. These categories are Educated Youth Self-Employment Loans, Youth Returning from Abroad Project Loans, Women Entrepreneurial Loans, Dalit Community Business Development Loans, and Higher Technical and Vocational Education Loans. Additionally, 91 loans were approved under the Private Housing Construction Loan for Earthquake Victims category. In summary, there were 1,651 loans approved across all categories, with a combined outstanding amount of NPR 3.28 billion.

Table 5: Subsidized Interest Loan Detail (End of Ashadh, 2076)

Loan	No. of total Loan	Approved Credit	Total Outstanding Amount
Commercial Agriculture and Livestock Loans	1,956	4,467,952,293.34	4,179,118,054.26
Educated Youth Self-Employment Loans	-	-	-
Youth returning from abroad project loan	6	6,000,000.00	5,656,766.84
Women Entrepreneurial Loans	37	15,950,000.00	12,284,552.56
Dalit Community Business Development Loan	1	1,000,000.00	569,580.51
Higher and Technical and Vocational Education Loans	-	-	-
Private housing construction loan for earthquake victims	-	-	-
Private housing construction loan for earthquake victims (as per Refinance Procedure, 2072)	87.00	199,150,000.00	155,574,946.86
Total	2,000	4,490,902,293.34	4,197,628,954.17

Source: ADBL, 2023

At the close of Ashadh 2076, the Agriculture Development Bank Limited reported the following: Commercial Agriculture and Livestock Loans saw an increase to 1,956 approved loans, with a credit approval of approximately NPR 4.47 billion and a slight decrease in the total outstanding amount to NPR 4.18 billion. Categories such as Educated Youth Self-Employment Loans, Higher and Technical and Vocational Education Loans, and Private Housing Construction Loan for Earthquake Victims displayed no values, suggesting no approvals or undisclosed data. The Youth returning from abroad project loan had 6 approvals with a credit of NPR 6 million and an outstanding NPR 5.66 million. Women Entrepreneurial Loans had 37 approvals with a credit of NPR 15.95 million and an outstanding NPR 12.28 million. The Dalit Community Business Development Loan had 1 approval with a credit of NPR 1 million and an outstanding NPR 569,580.51. Under the Private Housing Construction Loan for Earthquake Victims (Refinance Procedure, 2072), 87 loans were approved with a credit of NPR 199.15 million and an outstanding NPR 155.57 million. In total, there were

2,000 loans approved with a total credit of NPR 4.49 billion and an outstanding NPR 4.20 billion across all categories.

Table 6: Subsidized Interest Loan Detail (End of Ashadh 2077)

Loan	No. of total Loan	Approved Credit	Total Outstanding Amount
Commercial Agriculture and Livestock Loans	3,434	8,159,465,791.57	7,338,335,078.06
Educated Youth Self-Employment Loans	5	3500,000.00	3,386,805.37
Youth returning from abroad project loan	11	9,390,000.00	8,746,817.43
Women Entrepreneurial Loans	492	365,690,000.00	334,336,858.83
Dalit Community Business Development Loan	30	17,450,000.00	16,765,893.33
Higher and Technical and Vocational Education Loans	-	-	-
Private housing construction loan for earthquake victims	9	2,700,000.00	2,448,328.58
Private housing construction loan for earthquake victims (as per Refinance Procedure, 2072)	89	205,900,000.00	147,872,921.12
For the operation of the textile industry	-	-	-
Training to be conducted from an institution recognized by the CTEVT	-	-	-
Total	3,981	8,558,195,791.57	7,704,019,781.60

Source: ADBL, 2023

At the close of Ashadh 2077, Agriculture Development Bank Limited disclosed the following data: Commercial Agriculture and Livestock Loans saw a substantial increase with 3,434 loans sanctioned, amounting to roughly NPR 8.16 billion in credit, with NPR 7.34 billion outstanding. Educated Youth Self-Employment Loans had five loans granted, with NPR 3.5 million in approved credit and NPR 3.39 million outstanding. Youth Returning from Abroad Project Loan had eleven loans approved, with NPR 9.39 million in total approved credit and NPR 8.75 million outstanding. Women Entrepreneurial Loans saw 492 loans approved, with NPR 365.69 million in

approved credit and NPR 334.34 million outstanding. Dalit Community Business Development Loan had thirty loans sanctioned, with NPR 17.45 million in total approved credit and NPR 16.77 million outstanding. Private Housing Construction Loan for Earthquake Victims had nine loans approved, totaling NPR 2.7 million in approved credit and NPR 2.45 million outstanding. Private housing construction loans for earthquake victims (as per the Refinance Procedure, 2072) were provided to assist in building private homes. A total of 89 loans were sanctioned, amounting to NPR 205.9 million in approved credit, with NPR 147.87 million still outstanding. Training from a CTEVT-recognized institution: Similarly, the table lacked details on loans for training from institutions recognized by the Council for Technical Education and Vocational Training (CTEVT). In summary, 3,981 loans were approved overall, with a combined approved credit of NPR 8.56 billion and a total outstanding balance of NPR 7.70 billion across all categories.

In the table number 7 Agriculture Development Bank Limited has released its report for the end of Ashadh, 2078, detailing the following: Commercial Agriculture and Livestock Loans experienced substantial growth with 8,268 loans approved, amounting to an approved credit of nearly NPR 19.21 billion and an outstanding amount of NPR 17.07 billion. Educated Youth Self-Employment Loans saw 10 loans approved, with an approved credit of NPR 6.16 million and an outstanding amount of NPR 5.73 million. Youth Returning from Abroad Project Loan had 38 loans approved, with a total approved credit of NPR 34.2 million and an outstanding amount of NPR 31.23 million. Women Entrepreneurial Loans totaled 2,309 approved loans for entrepreneurial purposes, with an approved credit of NPR 1.92 billion and an outstanding amount of NPR 1.76 billion. Dalit Community Business Development Loan had 89 loans approved, with an approved credit of NPR 58.33 million and an outstanding amount of NPR 53.15 million. Higher and Technical and Vocational Education Loans had one loan approved, with an approved credit of NPR 500,000.00 and an outstanding amount of NPR 425,000.03. Private Housing Construction Loan for Earthquake Victims (according to Refinance Procedure, 2072) saw 88 loans approved, totaling NPR 204.9 million in approved credit and an outstanding balance of NPR 142.16 million. For Textile Industry Operations, 11 loans were approved with an approved credit totaling NPR 133.8 million and an outstanding balance of NPR 116.88 million.

Table 7: Subsidized Interest Loan Detail (End of Ashadh, 2078)

Loan	No. of total Loan	Approved Credit	Total Outstanding Amount
Commercial Agriculture and Livestock Loans	8,268	19,208,440,493.84	17,069,886,861.63
Educated Youth Self-Employment Loans	10	6,160,000.00	5,725,561.29
Youth returning from abroad project loan	38	34,200,000.00	31,234,591.51
Women Entrepreneurial Loans	2,309	1,921,568,489.19	1,758,984,826.56
Dalit Community Business Development Loan	89	58,330,000.00	53,153,203.15
Higher and Technical and Vocational Education Loans	1	500,000.00	425,000.03
Private housing construction loan for earthquake victims	7	2,100,000.00	1,844,706.53
Private housing construction loan for earthquake victims (as per Refinance Procedure, 2072)	88	204,900,000.00	142,164,918.06
For the operation of the textile industry	11	133,800,000.00	116,881,747.19
Training to be conducted from an institution recognized by the CTEVT	1	200,000.00	196,666.00
Youth Self-Employment Loan	-	-	-
Total	10,734	21,365,298,983	19,038,333,164

Source: ADBL, 2023

Training Conducted by CTEVT-Recognized Institutions had one loan approved, with an approved credit of NPR 200,000.00 and an outstanding balance of NPR 196,666.00. Under the category of training from a CTEVT-recognized institution, one loan was sanctioned for training at an institution accredited by the Council for Technical Education and Vocational Training. The sanctioned loan amount was NPR 200,000.00, with an outstanding balance of NPR 196,666.00 at the period's end. For the Youth Self-Employment Loan, the table did not provide any data. In summary, a total of 10,734 loans were approved, with a combined sanctioned amount of NPR 21.37 billion and an outstanding total of NPR 19.04 billion across all categories.

Table 8: Subsidized Interest Loan Detail (End of Ashadh, 2079)

Loan	No. of total Loan	Approved Credit	Total Outstanding Amount
Commercial Agriculture and Livestock Loans	12,396	22,884,461,109.59	20,462,522,158.53
Educated Youth Self-Employment Loans	14	8,360,000.00	6,464,303.45
Youth returning from abroad project loan	44	36,684,000.00	29,899,927.47
Women Entrepreneurial Loans	3,000	2,475,252,627.82	2,027,376,018.92
Dalit Community Business Development Loan	98	62,187,385.62	48,004,759.04
Higher and Technical and Vocational Education Loans	1	500,000.00	325,000.00
Private housing construction loan for earthquake victims	6	1,621,142.85	1,192,153.62
Private housing construction loan for earthquake victims (as per Refinance Procedure, 2072)	84	179,128,667.62	95,342,843.97
For the operation of the textile industry	6	56,900,000.00	47,361,601.10
Training to be conducted from an institution recognized by the CTEVT	1	200,000.00	142,857.14
Youth Self-Employment Loan	-	-	-
Total	15,566	25,526,166,265.88	22,623,288,779.27

Source: ADBL, 2023

As of the end of Ashadh 2079 (July 2022), Agriculture Development Bank Limited reported the following: Commercial Agriculture and Livestock Loans experienced substantial growth with 12,396 loans sanctioned, totaling an approved credit of approximately NPR 22.88 billion and an outstanding amount of NPR 20.46 billion. Educated Youth Self-Employment Loans saw 14 loans approved, with an approved credit of NPR 8.36 million and an outstanding amount of NPR 6.46 million. The Youth returning from abroad project loan category had 44 loans approved, with NPR 36.68 million in approved credit and an outstanding amount of NPR 29.90 million. Women Entrepreneurial Loans had 3,000 loans approved, with an approved credit of NPR 2.48

billion and an outstanding amount of NPR 2.03 billion. Dalit Community Business Development Loan witnessed 98 loans approved, with an approved credit totaling NPR 62.19 million and an outstanding amount of NPR 48.00 million. Higher and Technical and Vocational Education Loans had 1 loan approved, with an approved credit of NPR 500,000.00 and an outstanding amount of NPR 325,000.00. Private Housing Construction Loan for Earthquake Victims had 6 loans approved, totaling NPR 1.62 million in approved credit and an outstanding amount of NPR 1.19 million. Private Housing Construction Loan for Earthquake Victims, as per Refinance Procedure 2072, had 84 loans approved, with an approved credit totaling NPR 179.13 million and an outstanding amount of NPR 95.34 million. For the operation of the textile industry, 6 loans were approved, with an approved credit of NPR 56.9 million and an outstanding amount of NPR 47.36 million. Training from a CTEVT-recognized institution: One loan was sanctioned for training at a CTEVT-recognized institution, with an approved credit of NPR 200,000.00 and an outstanding balance of NPR 142,857.14. Youth Self-Employment Loan: The absence of values in this category suggests that no loans were approved or the data was not reported. Total: In summary, 15,566 loans were approved with a total approved credit amounting to NPR 25.53 billion and an outstanding total of NPR 22.62 billion across all categories.

Analyzing the table 9, as of the end of Ashadh 2080, Agriculture Development Bank Limited reported the following loan approvals: Commercial Agriculture and Livestock Loans saw 12,632 approvals with an approved credit of NPR 23.24 billion and an outstanding amount of NPR 19.09 billion. Educated Youth Self-Employment Loans had 14 approvals with an approved credit of NPR 8.1 million and an outstanding amount of NPR 4.94 million. Youth Returning from Abroad Project Loan had 44 approvals with an approved credit of NPR 37.56 million and an outstanding amount of NPR 23.64 million. Women Entrepreneurial Loans had 2,930 approvals with an approved credit of NPR 2.41 billion and an outstanding amount of NPR 1.54 billion. Dalit Community Business Development Loan had 93 approvals with an approved credit of NPR 60.22 million and an outstanding amount of NPR 35.81 million. Higher and Technical and Vocational Education Loans had 1 approval with an approved credit of NPR 500,000 and an outstanding amount of NPR 225,000. Private Housing Construction Loan for Earthquake Victims had 4 approvals with an approved credit of NPR 1.19 million and an outstanding amount of NPR 574,432.02.

Table 9: Subsidized Interest Loan Detail (End of Ashadh, 2080)

Loan	No. of total Loan	Approved Credit	Total Outstanding Amount
Commercial Agriculture and Livestock Loans	12,632	23,236,269,707.15	19,093,700,803.54
Educated Youth Self-Employment Loans	14	8,095,108.64	4,939,744.05
Youth returning from abroad project loan	44	37,562,151.30	23,641,967.11
Women Entrepreneurial Loans	2,930	2,411,579,717.87	1,538,581,524.92
Dalit Community Business Development Loan	93	60,216,313.07	35,807,165.71
Higher and Technical and Vocational Education Loans	1	500,000.00	225,000.00
Private housing construction loan for earthquake victims	4	1,186,142.85	574,432.02
Private housing construction loan for earthquake victims (as per Refinance Procedure, 2072)	85.00	183,739,546.34	76,663,245.33
For the operation of the textile industry	5	53,200,000.00	45,287,084.69
Training to be conducted from an institution recognized by the CTEVT	1	200,000.00	104,761.90
Youth Self-Employment Loan			
Total	15,724	25,808,809,141	20,742,862,484

Source: ADBL, 2023

Under the Private Housing Construction Loan for Earthquake Victims (as outlined in the Refinance Procedure, 2072), 85 loans were sanctioned, amounting to NPR 183.74 million in approved credit, with a remaining balance of NPR 76.66 million. In the textile industry sector, 5 loans were granted, totaling NPR 53.2 million in approved credit and NPR 45.29 million outstanding. For training endorsed by the CTEVT, 1 loan was approved, with NPR 200,000.00 in approved credit and NPR 104,761.90 outstanding. The Youth Self-Employment Loan category did not approve any loan. In summary, 15,724 loans were approved overall, with a combined approved credit of NPR 25.81 billion and an outstanding total of NPR 20.74 billion across all categories.

4.3 Survey Reports

The details about the responses of the closed and open questionnaire from the respondents are presented below:

4.3.1 Demographic Characteristics of the Respondents

Respondents are the key informants of primary data; secondary data are collected from secondary sources. Respondents have a significant role in any research; they are the main source of information about the state of concessional loan at Agriculture Development Bank Ltd.

For this study total 150 samples are taken. To know about the state of concessional loan of Agricultural Development Bank Limited, and the samples are taken by purposive sampling method.

Sex is a one of the important indicators of research study. Out of the 150 respondents, researcher found 32% are male and 68% female all the respondents are literate in this study. In term of education 27% respondents have got school level education, 40% have got SLC/SEE education, 20% got college education and 13% only got the university education by this research it is found that 73% are well educated. Researcher found 25% respondents were engage in business and 53% respondents are involved in agriculture. Similarly, only 2% respondents were found housewife, 15% are youth or student, 5% respondents were found job holder. By this it was found that 47% of the concessional loan customers were not related to agriculture. In this research 16% respondents were of the age of up to 30 years. This was followed by 25% respondents of age 30 to 40 years and 17% respondents 40 to 50 years the highest percentage of respondent are 42% were of 50 and above years of age group.

Table 10: Demographic Characteristics of Respondents

Particular	Categories	Frequency	Percentage
Gender	Male	48	32
	Female	102	68
Age	Up to 30	24	16
	30-40	38	25
	40-50	25	17
	50 above	63	42
Occupation	Youth/Student	22	15
	Business	38	25
	Agriculture	80	53
	Job holder	7	5
	Housewife	3	2
Education	School	40	27
	SLC/SEE	60	40
	College	30	20
	University	20	13

Source: Field study, 2023

4.3.2 Timely Service on concessional Loan

Time is the most important factor in every aspect of an individual's life. Punctuality, prompt and timely delivery of services increases the trust and prestige of the institution. To know about the people's perception on getting concessional loan within time, the researcher has asked the respondents in closed questionnaire forms, "Did you get concessional loan within a time?" The following table demonstrates the respondents' perception on the timely delivery of concessional loan by Agricultural Development Bank Limited.

Table 11: Timely Service on Concessional Loan

Responses	Frequency	Percentage
Yes	105	70
No	45	30
Total	150	100

Source: Field Survey, 2023

This study found that 70% the respondents get concessional loan within a time and 30% did not get concessional loan in time from Agricultural Development Bank Limited. By this result we may conclude that the credit management system of the bank is prompt and efficient.

4.3.3 Concessional Loan Process

Timely delivery of service helps to enhance the satisfaction level of the respondents. If the promised procedure of loan process completed by the banking guide lines then it enhances the effectiveness of service delivery the service receiver is satisfied with the institution and service provider. To know about the people's perception on getting concessional loan within time, the researcher had asked the respondents in closed questionnaire forms, "Is process of concessional similar or lengthy?" The following table demonstrates the respondents' perception on the process of concessional loan provided by Agricultural Development Bank Limited.

Table 12: Concessional Loan Process

Responses	Frequency	Percentage
Yes	30	20
No	120	80
Total	150	100

Source: Field Survey, 2023

This study found that 80% of the respondents opined that the loan process is not lengthy; and rest of them 20% feels that the process is lengthy. By this result we may conclude that the concessional loan process of the bank is not length.

4.3.4 Reasons for Taking Concessional Loan

Economic Factors play vital role in human's life. Concessional loan help for further investment, production, financial activities and development. Concessional loan ensures the distributive and redistributive justice by providing interest subsidy on loan to the people. Agricultural Development Bank Limited invests in different types of credit on different heads with specific purpose. The researcher had asked the respondents in closed questionnaire

forms, "What are the reasons for taking concessional loan?" The following table demonstrates the respondents' view on the process of taking concessional loan provided by Agricultural Development Bank Limited.

The following table shows the reasons of taking concessional loan from Agricultural Development Bank Limited.

Table 13: Reason for taking concessional loan

Responses	Frequency	Percentage
To be self-reliant	78	52
Poor economic condition	44	30
To support Business	15	10
To upgrade financial condition	13	8
Total	150	100

Source: Field Survey, 2023

This study shows that 52% of the people taking concessional loan to be self-reliant, 30% of the respondents taking loan due to their poor economic condition, 30% of the respondent took concessional loan to improve the poor economic condition, 10% of the respondents taking a loan to support business and 8% of the people were taking loan to upgrade financial conditions. By these above results we may conclude that most of the people taking loan to be self-reliant and to uplift themselves from poor economic condition. Few people are utilizing loan to upgrade business and financial condition.

4.3.5 Contribution on Poverty Reduction

Poverty is a state or condition in which a person or community lacks the financial resources and essentials for a minimum standard of living. Poverty reduction or poverty alleviation is one of the major objectives of the Sustainable Development Goals (SDGs). Concessional loans have the potential to aid in poverty reduction by offering financing for essential investments. However, their effectiveness depends on the quality of their utilization, management, and their incorporation into an overarching development strategy. Concessional loan also plays a vital role in a reduction of poverty. The researcher had asked the respondents in closed questionnaire forms 'Does concessional loan help in

poverty reduction? “The following table shows the opinion of the respondents on the contribution of concessional loan in poverty reduction.

Table 14: Contribution of Poverty Reduction

Responses	Frequency	Percentage
Yes	130	87
No	20	13
Total	150	100

Source: Field Survey, 2023

This study shows that 87 % of the people agree on that concessional loan helped in poverty reduction and 13 % of the people did not agree on concessional loan helped in poverty reduction. By this above result we may conclude that the concessional loan has role on the poverty reductions.

4.3.6 Changes in Economic Condition

Economic conditions refer to the present state of the economy in a specific area. It is considered to be sound or positive when an economy is expanding and are seen in ascending order. The main objectives of the lending concessional loan is also change in economic condition. To know if the economic conditions changed or not by getting concessional loan, the researcher had asked the respondents in closed questionnaire forms “Had concessional loan make a change in economic condition?” The following table shows the perception or realization of the respondents that had concessional loan changed in economic condition.

Table 15: Change in Economic Condition

Responses	Frequency	Percentage
Strongly agree	88	59
Agree	26	17
Neutral	15	10
Disagree	21	14
Strongly disagree	0	0
Total	150	100

Source: Field Survey, 2023

This study showed that 59% of the respondents were strongly agreed, 17% agreed, 10 % of the respondents are neutral and 14% disagreed on the realization of change in economic condition after getting concessional loan. By this above result we may conclude that most of the people agreed on that concessional loan make changes in the economic condition of the people. None of respondent were completely strongly disagreed that the change in economic condition after getting concessional loan.

4.3.7 Changes in Social Status

Status is the social position that determined for its possessor apart from one's personal attribute or social service degree of respect, prestige and influence. A status is a position in a social group in relation to other position held by other individuals in the group. To know the changes in the social status the researcher had asked the respondents in closed questionnaire forms, "How do you feel after getting concessional loan?" The following table shows the changed in status people after getting concessional loan by the

Table 16: Changes in Social Status

Responses	Frequency	Percentage
Improving economic conditions	62	42
Increasing in Social status	42	28
Business promotions	28	19
Getting quality of life	18	12
Total	150	100

Source: Field Survey, 2023

This study shows that 28 % of the respondents agreed on that after getting a concessional loan it helped to increase the social status 42% of the respondents agreed on that it helped in improving economic condition. 12% of the people agreed on getting quality life. And 19% of the people opined that concessional loan promoted the business. By this above result we may conclude that concessional loan made a positive change in a society.

4.3.8 Satisfaction after Getting Concessional Loan

Satisfaction is a pleasant feeling that you get when you receive something you wanted, or when you have done something, you wanted to do. Level of satisfaction towards the concessional loan measures the success rate of that institution and government policy. It determines the trust of the people towards institutions. To know the satisfaction level of respondent after getting concessional loan the researcher had asked the respondents in closed questionnaire forms, “How is your satisfaction level after getting concessional loan?” The following table presents the level of satisfaction of the people after getting a concessional loan.

Table 17: Satisfaction after Getting Concessional Loan

Responses	Frequency	Percentage
Very satisfied	76	51
Satisfied	44	29
Neutral	16	11
Dissatisfied	14	9
Very dissatisfied	0	0
Total	150	100

Source: Field Survey, 2023

This study shows that 29% of the respondents is satisfied and 51% of the respondents is very satisfied by getting concessional loan. 11% of the respondent are neutral towards this, 9% are dissatisfied and no one is very dissatisfied by getting concessional loan. By this result we may conclude that large number of the respondent were satisfied and no one has very dissatisfaction after getting concessional loan.

4.3.9 Concessional Loan Investment

Investment refers to the act of buying an asset to make a profit from its use. In simple terms investment is using money to try to take profit or produce income. Banks lends money in a project according to NRB and BFIs guidelines and procedures. The effectiveness of concessional loan investments in these sectors hinges on multiple factors, such as the caliber of project planning and execution,

the transparency of resource distribution, and the ability of the recipient nations to oversee and maintain these initiatives over an extended period. If administered effectively, concessional loans can significantly contribute to fostering sustainable growth and alleviating poverty in developing and low-income countries.

To know if the loan amount is invested in the same project or not the researcher had asked the respondents in closed questionnaire forms, "Have you invested the concessional loan in the proposed project?" The following table represents the state of investment of concessional loan in proposed project or not.

Table 18: Concessional loan Investment

Responses	Frequency	Percentage
Yes	106	70
No	44	30
Total	150	100

Source: Field Survey, 2023

This study shows that 70% of the people agreed that they invested the loan in the proposed project and rest of them 30% invested concessional loan in another project. By this above result we may conclude that bank, financial institutions and concerned authorities must regularly inspect all the projects funded by the concessional loan provisions.

4.3.10 Adequacy of Concessional Loan Amount

Opinions on the adequacy of concessional loans vary; therefore, banking institutions aim to disburse loan amounts in accordance with rules and regulations, assessing the adequacy of proposals to determine if the amount meets the project's needs. Adequacy is an indicator of the satisfaction and effectiveness of the banking service. To know about the people's perception on adequacy of loan amount, the researcher has asked the respondents in closed questionnaire forms, "Is the loan amount adequate?" The following table demonstrates the respondents' perception on adequacy of concessional loan provided by Agricultural Development Bank Limited.

Table 19: Adequacy of Loan Amount

Responses	Frequency	Percentage
Yes	109	73
No	41	27
Total	150	100

Source: Field Survey, 2023

This study shows that 73% of the people agree on adequacy of loan amount, and rest of them 27% of the people are not agree with the statement. By this above result we may conclude that bank, should flow more loan for the needy projects.

4.3.11 Quality of Life

Quality of life is a very complex and pompous word. Quality of life (QoL) is a concept which aims to capture the well-being, whether of a population or individual, regarding both positive and negative elements within the entirety of their existence at a specific point in time. There are no any exact hard and fast definitions of quality of life. It is the description and measurement of the overall enjoyment, comfort and overall satisfaction of life. To know about the people's perception on quality of life, the researcher has asked the respondents in closed questionnaire forms, "Do you feel that concessional loan increase your quality of life?" The following table demonstrates the respondents' perception on increment inequality of life after getting concessional loan from Agricultural Development Bank Limited.

Table 20: Quality of Life

Responses	Frequency	Percentage
Strongly agree	70	47
Agree	40	27
Neutral	15	10
Disagree	13	8
Strongly disagree	12	8
Total	150	100

Source: Field Survey, 2023

This study shows that 47% of the respondents are strongly agreed, 27% of the respondents agreed and 10% were neutral and similar 8% disagreed and strongly disagreed on the realization of change in quality of life after getting concessional loan. By this above result we may conclude that most of the people were strongly agreed on that concessional loan made significant change in the quality life of the people.

4.3.12 Program can be conducted for the Betterment of the People

Enhancing the value of something or improvement of something is betterment. Economic and social betterment is the process that societies can improve in terms of their social, political, and economic structures. To know about the people's perception for the betterment of the people, the researcher has asked the respondents in closed questionnaire forms, "What type of program can be conducted for the economic betterment of the people?" The following table demonstrates the respondents' perception on banking sector contributions for the betterment of the people.

Table 21: Program for the Betterment of the People

Responses	Frequency	Percentage
Zero interest loan	120	80
Low interest rate loan	20	14
Long term business loan	7	4
High saving interest	3	2
Total	150	100

Source: Field Survey, 2023

This table shows that, banking sector can conduct various programs for economic betterment of the people. 80% of the respondents agreed on zero interest loan, 14% of the respondent perceived that low interest rate, 4% respondents agreed on the long-term business loan program can be conducted for the economic betterment of the people. Similarly, only 2% respondent agreed on high saving interest. From this we may conclude that government distributive and redistributive policy and banking sector could play vital role in this sector by providing loan on zero percentage interest rate.

4.3.13 Overall Satisfaction with Concessional Loan Provision of the Bank

Satisfaction is fulfillment of expectations, wishes, needs or the pleasure derived from it. Overall satisfaction covers all the process from starting to outcomes of concessional loan provided by the Agricultural Development Bank Limited. Overall satisfaction towards the concessional loan measures the success rate of Agricultural Development Bank Limited. It determines the trust of the people towards Agricultural Development Bank Limited. To know about the people's perception on overall satisfaction, the researcher has asked the respondents in closed questionnaire forms, "All things considered how satisfied are you with the concessional loan provided by the bank?" The following table demonstrates the respondents' perception overall satisfaction on concessional loan provided by Agricultural Development Bank Limited.

Table 22: Overall Satisfaction

Responses	Frequency	Percentage
Very satisfied	66	44
Satisfied	35	23
Neutral	23	15
Dissatisfied	13	9
Very dissatisfied	13	9
Total	150	100

Source: Field Survey, 2023

This study shows that 44% of the respondents were very satisfied, 23% of the respondents were satisfied, 15% of them were neutral and similar 9% of the respondents were dissatisfied and very dissatisfied with the service provided. By this result we may conclude that greater numbers of respondent were satisfied by getting concessional loan.

4.3.14 Reason for issuing Concessional Loan

Concessional financing provides companies with access to capital at favorable terms. This can include lower interest rates, longer repayment periods, and more flexible terms, making it easier for businesses to fund major initiatives.

Concessional financing can facilitate business opportunities. To know about perception of the service provider about the reason of issuing the concessional loan, the researcher has asked the respondents in closed questionnaire forms, "Why does Agricultural Development Bank Limited issue concessional loan?" The following table demonstrates the respondents' perception on the reason of issuing the concessional loan by Agricultural Development Bank Limited.

Table 23: Reason for issuing Concessional Loan

Responses	Frequency	Percentage
To increase business	6	12
To follow the government rule and directions	19	38
To satisfy and retain the customer	5	10
To maintain distributive and redistributive justice	20	40
Total	50	100

Source: Field Survey, 2023

According to the 40% of the respondent Agricultural Development Bank Limited issue the concessional loan to maintain distributive redistributive justice. Whereas 38% of the respondent said it is issue to follow the government rule and direction.10% of the respondent has the view that Agricultural Development Bank Limited issue concessional loan to satisfy and retain the customer and only 12% of the respondents said that it is to increase business. It showed that the Agricultural Development Bank limited issue the concessional loan to follow the government rule and directions and to maintain distributive and redistributive justice.

4.3.15 Criteria of Selection of customer for Concessional Loan

The bank selects its customer from the different perspective it analyzes cash flow, financial strength, assets, management credibility, credit strength, 5Cs (character, capacity, capital, collateral, and conditions), CAMELS (Capital adequacy, Asset quality, Management capability, Earnings, Liquidity and Sensitivity to market risk) etc. To know about perception of the service provider about the criteria of selection of the customer, the researcher has asked the

respondents in closed questionnaire forms, "How are customer selected for concessional Loan?" The following table demonstrates the respondents' perception on the selection process of the concessional loan by Agricultural Development Bank Limited.

Table 24: Selection criteria of Customer

Responses	Frequency	Percentage
By projects	24	48
History of clients	9	18
Financial status and credit information from CIB	9	18
Needs of the customer	8	16
Total	50	100

Source: Field Survey, 2023

This table shows that, Agricultural Development Bank Limited selects its 48% of the customer are selected by projects whereas 18% of the clients are selected by the history 18% are selected by financial status and CIB report only 16% of clients are selected as per customers need. By this we can interpret that concessional loan is mainly disbursed by analyzing the projects.

4.3.16 The Repayment Schedule of Concessional Loan

The repayment schedule is the schedule or the series of payback or the payment of the principle along with the interest accrued which is known as EMI. The payback period or the repayment schedule has details of interest rate and amount and the tenure of loan.

To know about perception of the service provider about the repayment schedule of Concessional Loan, the researcher has asked the respondents in closed questionnaire forms, "What is the repayment schedule for concessional Loan?" The following table demonstrates the respondents' perception on the selection process of the concessional loan by Agricultural Development Bank Limited.

Table 25: Repayment Schedule

Responses	Frequency	Percentage
Monthly interest and Installment	15	30
Quarterly installment	20	40
Working Capital or overdraft	15	30
Total	50	100

Source: Field Survey, 2023

This table shows that, Agricultural Development Bank Limited provides the 40% concessional loan on quarterly installment, 30% on the both monthly installment and working capital or overdrafts the repayment schedule.

4.3.17 Proper Utilization of Concessional Loan

Proper utilization is the action or process of effective and practical use of something. So, utilization of loan refers to the proper uses of fund in the same project. The utilization of the loan is calculated by adding up the outstanding balances and adding the credit limits. Taking all the total balances, divide it by the total credit limit and multiplying it by 100 to find the credit utilization ratio

The investment of the loan in the same purpose is the utilization of loan. The bank frequently analyzes the utilization of loan. The stock verification, cash flow, running of the project properly etc. are the few measures of utilization. It is the action of making proper or effective use of the loan.

To know about the proper utilization of the concessional loan, the researcher has asked the respondents in closed questionnaire forms, "Has concessional loan been utilized properly?" The following table demonstrates the respondents' perception on the proper utilization of the concessional loan from Agricultural Development Bank Limited.

Table 26: Utilization of Concessional Loan

Responses	Frequency	Percentage
Yes	36	72
No	10	20
Somehow	4	8
Total	50	100

Source: Field Survey, 2023

This table shows that 72% of concessional loan of Agricultural Development Bank Limited has been utilized properly, 8% of the concessional loan have been utilized somehow and 20% of the concessional loan have not been utilized.

4.3.18 Payback Default

Repayment is the process of pay back of money with the interest. The repayment schedule is the plan of payback of the principle along with the interest within the certain period of time to the bank. Concessional loans are a form of financing offered by governments, international entities, or development banks to qualified borrowers under terms more favorable than those of the market. Such loans often feature reduced interest rates, extended repayment timelines, and terms that are more accommodating than those of standard commercial loans.

To know about the payback of the concessional loan, the researcher has asked the respondents in closed questionnaire forms, "Is there default on payback?" The following table demonstrates the respondents' perception on the default on the payback of the concessional loan from Agricultural Development Bank Limited.

Table 27: Default on the Payback

Responses	Frequency	Percentage
up to 15%	5	10
15% to 30%	2	4
30% to 45%	3	6
45% to 60%	2	4
No	38	76
Total	50	100

Source: Field Survey, 2023

This table shows that, 10% of loan has been default up to 15%, 4% have been default similar on 15% to 30% and 45% to 60% and 6% loan has been defaulted 30% to 45%. The table shows that the 76% of the loan is paid on time it is never defaulted.

4.3.19 Project Inspection

An inspection is organized examination or formal evaluation. Project inspection is the process of verification of the utilization of loan properly. By visiting or inspecting the project the utilizing of the loan can be verified. Bank visits the projects frequently to verify the utilization of the loan. Project inspection is crucial for the successful completion of projects as it ensures quality maintenance, risk management, and adherence to regulations and standards. It is vital in reducing risks, improving project results, and securing overall project success.

To know about the project visits the researcher has asked the respondents in closed questionnaire forms, "How often the project is inspected?" The following table demonstrates the respondents' perception on the project inspection of concessional loan from Agricultural Development Bank Limited.

Table 28: Project Inspection

Responses	Frequency	Percentage
Monthly	9	18
Tri-monthly	10	20
As per need	31	62
Total	50	100

Source: Field Survey, 2023

This table shows that, 18% of the projects are visited monthly, 20% of the projects are visited tri-monthly and the 62% of the projects are visited as per need or requirement. This table shows that projects are not visited on the routine of time.

4.3.20 Problems to Expand Concessional Loan

Expansion is the act of increasing (something) in number, volume or size or quantity or scope. The expansion of concessional loan is to distribute more loan in volume and number both. To know about the problems to expand the concessional loan the researcher has asked the respondents in closed questionnaire forms, "What are the problems to extension the concessional loan?" The following table demonstrates the respondents' perception on the problems to expand the concessional loan from Agricultural Development Bank Limited.

Table 29: Problems to Expand Concessional Loan

Responses	Frequency	Percentage
Misuse	36	72
Fake Project	10	20
Duplication of project	4	8
Total	50	100

Source: Field Survey, 2023

This table shows that, 72% of loan has been misused, 21% fake projects are used/shown to get the concessional loan and 7% projects are duplicated either shown in different banks or same bank different branches by using different names.

4.3.21 Measures required for the improvements of Concessional Loan

Improvement is the action of improving. It is a process that makes something better than previous. To improve the distribution of the concessional loan to reach to the grass root of the needy people researcher wanted to know the measures required for the improvement of the concessional loan the researcher has asked the respondents in closed questionnaire forms, "What are measures for the improve effectiveness of the concessional loan?" The following table demonstrates the respondents' perception on the problems to expand the concessional loan from Agricultural Development Bank Limited.

Table 30: Measures for Improvements of Concessional Loan

Answers	Frequency	Percentage
Timely Reimbursement of Subsidy Amount	9	18
Proper Project Selection	9	18
Client's Reliability	11	22
Proper Utilization	21	42
Total	50	100

Source: Field Survey, 2023

This table shows that, 18% agreed on the timely reimburse of the subsidy amount, 18% agreed is on the proper selection of the project. Whereas the client's reliability was 22% and rests of all 42% agreed on the proper utilization of concessional loan for improve its effectiveness. By this above results we may conclude that the main measure on the expansion of the concessional loan is proper utilization of the loan with.

4.3.22 Measures to increase the effectiveness of the concessional loan

To enhance the effectiveness of concessional loans, it is crucial to align the instrument of concessional financing closely with the rationale for its use, scrutinize the deployment of resources to directly de-risk investments, and avoid using these resources to gain a competitive advantage. Additionally, ensuring transparency and robust analyses to determine if a project is worthy of concessional support and if the appropriate amount of concessional loan is being used is vital.

Increase is the process to make something big, large in the action the effectiveness is the degree of something's success. To know how increase the effectiveness of the concessional loan the researcher has asked the respondents in closed questionnaire forms, "What should be done to increase the effectiveness of the concessional loan?" The following table demonstrates the respondents' perception about the increase the effectiveness of the concessional loan from Agricultural Development Bank Limited.

Table 31: Measure to Improve Effectiveness of Concessional Loan

Answers	Frequency	Percentage
Frequent inspection	9	18
Market assurance	26	52
Timely reimbursement of insurance	15	30
Total	50	100

Source: Field Survey, 2023

This table shows that, to increase the effectiveness 18% frequent inspection of project is needed, 52% respondents said that market assurance is needed and 30% respondent opined timely reimbursement of the insurance.

4.4 Findings of the Study

Data for this research study was gathered from 150 respondents selected through purposive sampling. The data was collected through survey questionnaire. And data was analyzed by using the Statistical Package for the Social Sciences (SPSS). Techniques employed included descriptive analysis, ranking, and cross-tabulation comparison. The statistical analysis produced the following findings:

- a) Regarding the timing for concessional loan services, this study revealed that 70% of the respondents received concessional loans on time, while 30% did not receive them within the expected timeframe from Agricultural Development Bank Limited. From these results, we can infer that the bank's credit management system is generally prompt and efficient.
- b) Regarding the concessional loan process, this study revealed that 80% of the respondents believe the process is not lengthy, while the remaining 20% feel it is.

From these results, we may conclude that the bank's concessional loan process is generally not considered lengthy.

- c) In the case of reason for taking concessional loan, this study indicates that 52% of individuals take concessional loans to become self-reliant, while 30% do so due to poor economic conditions. Another 30% use these loans to improve their financial situation, 10% to support their business, and 8% to enhance their financial status. From these results, it can be concluded that the majority of borrowers aim to achieve self-reliance and improve their economic standing, whereas a smaller percentage utilize loans to advance their business and financial conditions.
- d) Regarding the contribution to poverty reduction, this study indicates that 87% of participants agree that concessional loans have aided in reducing poverty, while 13% disagree. From these results, we may conclude that concessional loans play a significant role in poverty reduction.
- e) In the event of a change in economic conditions, this study revealed that 59% of respondents strongly agreed, 17% agreed, 10% were neutral, and 14% disagreed with the statement that there was a noticeable change in economic conditions after receiving a concessional loan. From these results, we can infer that the majority of participants concurred those concessional loans impact people's economic status.
- f) In the event of a change in social status, 28% of respondents agreed that obtaining a concessional loan contributed to an increase in their social standing. Additionally, 42% concurred that it aided in enhancing their economic condition. A further 12% acknowledged an improvement in their quality of life, while 19% believed that the concessional loan fostered business growth. From these results, we may infer that concessional loans have had a positive impact on society.
- g) Regarding satisfaction with concessional loans, the study indicates that 29% of respondents are satisfied and 51% are very satisfied with receiving concessional loans. Additionally, 11% of respondents are neutral, 9% are dissatisfied, and none are very dissatisfied. These results suggest that a large proportion of respondents are satisfied and there is no significant dissatisfaction following the receipt of concessional loans.
- h) In the case of concessional loan investments, 70% of participants confirmed investing the loan in the intended project, while the remaining 30% allocated the concessional loan to alternative projects. From these findings, it can be concluded

that banks, financial institutions, and relevant authorities should conduct regular inspections of all projects financed through concessional loan agreements.

- i) Regarding the adequacy of loan amount, this study indicates that 73% of participants agree that the loan amount is adequate, while the remaining 27% disagree. Based on these results, it may be concluded that banks should allocate more loans to projects in need.
- j) Regarding the quality of life, this study indicates that 47% of respondents strongly agree, 27% agree, and 10% are neutral, while a similar 8% disagree or strongly disagree that there has been a noticeable improvement in quality of life after receiving a concessional loan. From these results, we can infer that the majority of participants strongly believe that concessional loans have significantly impacted people's quality of life.
- k) In case of programs can be conducted for the betterment of the people, this study indicates that 80% of respondents support the idea of zero-interest loans, 14% favor low-interest rates, and 4% agree with the implementation of long-term business loan programs for economic enhancement. Meanwhile, only 2% of respondents are in favor of high savings interest rates. From this, we can infer that government distributive and redistributive policies, along with the banking sector, could significantly contribute to this area by offering loans at a zero percent interest rate.
- l) Regarding overall satisfaction with concessional loans, this study indicates that 44% of respondents were very satisfied, 23% were satisfied, 15% remained neutral, and 9% were dissatisfied or very dissatisfied with the services provided. From these results, we can infer that a majority of respondents were satisfied with obtaining a concessional loan.
- m) Regarding the reason for issuing concessional loan, this study indicates that 42% believe bank issues concessional loans to maintain distributive and redistributive justice. Meanwhile, 38% believe the loans are issued in compliance with government rules and directives. A further 9% view these loans as a means to satisfy and retain customers, while only 11% think they are for business expansion. This indicates that the primary reasons for the Agricultural Development Bank Limited to issue concessional loans are to adhere to government policies and to uphold distributive and redistributive justice.
- n) Regarding the criteria for selecting customers for concessional financing, the data indicates that Agricultural Development Bank Limited selects 48% of its customers

based on projects, while 17% are chosen for their history, 19% for their financial status and CIB report, and only 16% according to the customers' needs. This suggests that the disbursement of concessional loans is primarily project-based.

- o) The repayment schedule for concessional loans indicates that Agricultural Development Bank Limited offers 40% of the loan on a quarterly installment basis, and 30% as either monthly installments or working capital/overdrafts.
- p) Regarding proper utilization of concessional loan this study indicates that 72% of the concessional loan from Agricultural Development Bank Limited has been utilized effectively, 9% has been somewhat utilized and 19% has not been utilized at all.
- q) In the event of a default on repayment, 9% of loans have defaulted up to 15%, 4% have defaulted between 15% to 30% as well as between 45% to 60% and 6% have defaulted between 30% to 45%. It also shows that 77% of the loans are paid on time and have never defaulted.
- r) Regarding project inspections, the table indicates that 17% of the projects are visited monthly, 21% are visited every three months, and 62% are visited as needed. This suggests that the projects are not inspected on a regular time schedule.
- s) Concerning the issues with expanding concessional loans, the table indicates that 72% of the loans have been misappropriated, 21% of the projects are fraudulent and were presented to obtain concessional loans, and 7% of the projects are replicated, either presented to different banks or the same bank's different branches under various names.
- t) Regarding the improvement of concessional loan effectiveness, the table indicates that 18% agree on the timely reimbursement of the subsidy amount, and 19% on the proper selection of projects. Meanwhile, 22% believe in the client's reliability, and the remaining 41% concur that the proper utilization of concessional loans is key to enhancing their effectiveness. From these results, we may infer that the primary factor in the expansion of concessional loans is their proper utilization.
- u) To enhance the effectiveness of the concessional loan, the study indicates that frequent project inspections are necessary according to 18% of respondents, 51% believe market assurance is required, and 31% suggest timely reimbursement of insurance.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

Concessional loans continue to be an important source of financing for development. The economic development of the country depends on the industry and trade. Without capital the industry and trade country could not be developing. If the concessional financing process of the any bank is easier and affordable to the people then they could get the benefit from the concessional loan. When banks have only been focusing on the interesting rates, it is important to understand that other dimensions matter much more in the determination of customer's interests and affordability. Without understanding the citizen's needs, acceptance, their reality, and viewpoint, it might not be practically possible to development for them to get into the real competitive world. For a loan customer, the interest charged on the loan matters much more, not only this all the procedure on loan plays a significant role in the mindset of the customer. Concessional financing policy, procedure, and ease in documentation process matters also determine the effectiveness of concessional loan.

Concessional loans play a pivotal role in development strategy of the nation, facilitating the financing of essentials projects that contribute to economic growth and improve the quality of life for citizens. Today management expert is discussing about Nepal's sustainable development through concessional financing, and how they can be improved because in the long run, what matters much more for the success of any government policy certainly is citizen satisfaction, because that would be key to increased government trust. It is therefore important that government policy pay serious attention to the concessional financing.

5.2 Conclusion

Concessional loans play a pivotal role in financing development projects that contribute to economic growth, poverty reduction, and sustainable development. Concessional loans continue to be an important source of financing for development projects. These loans are typically provided at lower interest rates and with more extended repayment periods compared to commercial loans, making them crucial for infrastructure, health, education, and another sector. An appropriate financing system can help bank to

safeguard its investments and increase a share-worth of the stakeholders. It also takes into consideration the managerial competence of its promoters and viability of the project in the context of competition. Status of concessional loan in Nepal would depend on current economic policies, and international practices regarding concessional financing. Appraisal of the project mainly on technical, financial and commercial are understood to be very vital for granting any kind of loan facility. Likewise, the promoter of the project has to be considered while appraising the project. His integrity and dedication towards the venture is equally important. On the other hand, a project may be technically feasible, economically viable and financially sound but, efficiency and honesty of the man behind the project has proven to be very significant factor.

Concessional loans have contributed significantly to customer's socio-economic development by funding in different sector. Concessional financing basically depend on government economic policy and availability of the resources. Typically, concessional loans are provided at lower interest rates and longer repayment periods, often aimed at supporting development projects like agriculture and education.

Concessional loans contribute to economic growth by funding projects that improve productivity, connectivity, and efficiency and boosting rural incomes and overall economic activity. And concessional loans also have significant impacts on social and human development. Investment in education and healthcare funded by concessional loans can improve access to quality services, reduces disparities between rural and urban areas, and enhance human capital development. Concessional loans are being used to support sustainable development initiatives. Despite their benefits, the effective utilization of concessional loans can face challenges such as bureaucratic inefficiencies, governance issues, and capacity constraints in project implementation. It is crucial for the debtor to ensure accountability and effective project management to maximize the benefits of concessional loans.

Liberal policy of the government has created good opportunities for all the business houses along with the commercial banks in developing better business environment to work on. In the Nepalese society, credit financing has been strengthened with the establishment of domestic and joint venture firms in the market. Scientific technology has brought a revolution for the effective and efficient management in the field of

banking transactions. The factors affecting the banking transactions under the economic environment such as Gross Domestic Product, Gross Domestic Saving, foreign investment and interest rate have played an important role for analyzing the project properly and developing the banking activities in the economy.

Based on findings, it can further be concluded that proper and effective utilization of concessional loan is very much helpful for socio-economic progress and sustainable development. Overall, concessional loans play a significant role in financing development projects and entrepreneur that contribute to economic growth, poverty reduction, and sustainable development of the nation. Effective utilization and careful management of concessional loans are essentials to manage full potential for socio-economic development.

5.3 Implications

This research has multifaceted implications. This study covers the government policy and their impacts on different stakeholders such as economic development of the citizen, infrastructure development, and optimum utilization of resources so policy maker, decision maker and other stakeholder can contribute significantly in plan and policy formulation and theory development.

The analysis of status of concessional financing provided by Agricultural Development Bank Limited could benefit from the theoretical, managerial and Concessional loan are utilized on the economic development of the citizen as well as nation. Analyzing the status of concessional loan helps assess Nepal's debt sustainability and management strategies. Theoretically, the researchers examine the relation between government financial policy as a concessional financing and its impacts on public livelihood.

Management wise this research explores the financial status, economic development impact and fact data to evaluate the significance of the fiscal policy and its impacts. The study can evaluate the effectiveness of Nepal's policies and strategies in utilizing concessional loans. This includes their role in financing infrastructure projects, improving social services like healthcare and education, and supporting economic sectors crucial for growth. Additionally, this research offers financial experts and policy maker particularly in the concessional financing. It identifies areas for improvement in

project management, financing process and transparency to enhance the efficiency and impact of development investments.

Methodologically, this research is focused on descriptive method, this method is best to describe the perception of the respondents on concessional financing. Examining the concessional loan funded projects reveals governance challenges and institutional capacity gaps.

Future research focus, this research is small in a size and only focused on concessional financing provided by Agricultural Development Bank Limited. The future researcher is urging to choose larger sample size and wide area of concessional financing. The next researcher could expand their research to include social and environmental impacts how concessional loan includes social and environmental impacts and how concessional financing affect local communities, livelihoods, and ecosystem.

Based on finding implications inform strategic planning and policy recommendations for the concerned authorities. Recommendation on enhancing project implementations frameworks, strengthening regulatory environments, and diversifying funding sources to mitigate risk associated with concessional financing.

Overall, studying the status of concessional loan provided by Agricultural Development Bank Limited provides a comprehensive view of economic development, challenges, and opportunities. It serves as a foundation for decision making, policy formulation, sustainable development and inclusive development.

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