

**SOCIAL CAPITAL AND PRACTICE OF HOUSING LOAN FROM BANKS IN
KATHMANDU**

A Dissertation

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Submitted by:

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LETTER OF RECOMMENDATION

We certify that this dissertation entitled **Social Capital and Practice of Housing Loan from Banks in Kathmandu** was carried out by Milan Raj Gartaula under our guidance. We hereby recommend this dissertation for final examinations by the Research Committee of the Faculty of Humanities and Social Sciences, Tribhuvan University, in fulfillment of the requirements for the Degree of Doctor of Philosophy in Sociology.

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This dissertation entitled **Social Capital and Practice of Housing Loan from Banks in Kathmandu** was submitted by Milan Raj Gartaula for final examination to the Research Committee of the Faculty of Humanities and Social Sciences, Tribhuvan University, in fulfillment of the requirements for the Degree of Doctor of Philosophy in Sociology. I, hereby, certify that the Research Committee of the Faculty has found this dissertation satisfactory in scope and quality and has therefore accepted for the degree.

Dean and Chairperson

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DECLARATION

I hereby declare that the work contained in this dissertation entitled **Social Capital and Practice of Housing Loan from Banks in Kathmandu** is my bonafide work and has not been previously submitted for award of any other degree or certificate in any university. To the best of my knowledge, I assert that this dissertation contains no material previously published or written by other person except where the reference is made and has been completed under the guidance of Prof. Dr. Kailash Nath Pyakuryal and Prof. Dr. Surendra Mishra.

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ABSTRACT

Social capital is a critical component of social interaction and it influences other non-social aspects of day-to-day life as well. This dissertation is an effort to examine the influence of social capital on housing loan from banks, which is essentially understood to be a purely economic undertaking. Banking is frequently regarded as an economic institution, yet the non-economic dimensions of the banking sector are gaining increasing attention in academic discourse. A key question arises: How does social capital, a non-economic aspect, influence the banking landscape in Nepal? Social capital refers to the social resources gained through relationships and networks in a social setting. While sociologists have produced various findings on social capital, this dissertation aims to explore its specific interpretation and relevance within the context of the Nepalese economy.

The first objective of the study was to investigate the provisions of social capital in banks in Kathmandu. The next objective was to describe how social capital is embedded in the economic relationships between banks and borrowers, particularly in obtaining loan facilities. The final objective was to elucidate the role that social capital plays in securing housing loans.

It was found that almost all banks and financial institutions offering housing loans in Kathmandu incorporate elements of social capital, with some similarities and differences in their implementation. Social capital manifests differently across various demographic factors, including education, health, family size, and monthly income, influencing the economic relationships between banks and borrowers. Subsequent analysis shows that aspects of borrowers' social capital significantly affect key housing loan parameters: the loan volume, repayment duration, and interest rates.

The social dimensions of banking represent a critical non-economic phenomenon that influences banking practices. These social attributes vary based on time and regional settings. Nepal, with its rich tapestry of diverse cultures and varying levels of social capital, presents a unique context for examining these phenomena.

Housing loans are a primary instrument through which banks operate, encompassing two categories: retail and real-estate housing loans. In Nepal, banks heavily invest in retail housing loans, which come with specific policies influenced by factors such as age, health, gender, education, professional background, family size, and monthly income. These seven variables are central to the study's exploration of social capital's impact on banking.

For this dissertation, a purposive sample of 700 borrowers from selected banks was analyzed using both qualitative and quantitative methods to test multiple hypotheses. The study focused on banks with additional housing loan provisions linked to social capital components like age, family size, salary, and gender. Eleven financial institutions were identified for their notable provisions in these areas, with approximately 700 individuals reported as having taken out housing loans in the previous year.

The research findings reveal that all banks and financial institutions in Kathmandu incorporate provisions based on social capital, with some similarities in policy between different banks. However, respondents exhibit varying interpretations of social capital in relation to housing loans. Dependent variables analyzed include loan duration, interest rates, and loan amounts, while independent variables encompass age, gender, health status, education, professional history, monthly income, and family size. Statistical analyses, including p-tests, established the significance of associations among these variables, though not in all cases.

While these findings may not universally apply across all global contexts or timelines, this dissertation offers valuable insights into the impact of social capital in economic domains, particularly regarding housing loans. Theoretically, the concept of embeddedness has gained traction as a conventional idea; this dissertation enriches that notion by situating it within the unique socio-economic landscape of Nepal.

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ABBREVIATIONS AND ACRONYMS

AA	: Age of Applicant
BAFIA	: Bank and Financial Institutions Act
BFI	: Bank and Financial Institution
CBS	: Central Bureau of Statistics
CIT	: Citizen Investment Trust
CLIFF	: Community-Led Infrastructure Finance Facility
EA	: Education of Applicant
EMI	: Equated Monthly Installment
EPF	: Employee's Provident Fund
FYP	: Five-Year Plan
GA	: Gender of Applicant
GDP	: Gross Domestic Product
HA	: Health Status of Applicant
HIDCL	: Hydroelectricity Investment and Development Company Limited
IDB	: Infrastructure Development Bank
IDP	: Individual Development Plan
IMF	: International Monetary Fund
IMI	: Intraday Momentum Index
INGO	: International Non-Governmental Organization
Ip	: Investment Portfolio
Ir	: Interest Rate
LIC	: Life Insurance Company
LTV	: Loan-to-value

MFI	:	Micro Finance Institutions
NBL	:	Nepal Bank Limited
NGO	:	Non-Governmental Organization
NIC	:	Non-Life Insurance Companies
NRB	:	Nepal Rastra Bank
NRP	:	Nepali Rupees
PH	:	Professional History
PRC	:	People's Republic of China
PSS	:	Positivist Social Science
RB	:	Relation to the Bank
RC	:	Reinsurance Companies
SBI	:	State Bank of India
SIT	:	Social Identity Theory
SLC	:	School Leaving Certificate
SPSS	:	Statistical Package for Social Sciences
SSF	:	Social Security Fund
UDHR	:	Universal Declaration of Human Rights
UK	:	United Kingdom
US	:	United States
VD	:	Volume of Deposits
VDC	:	Village Development Committee

CHAPTER I

INTRODUCTION

1.1 Context Locating the Issue

Conceptually, social capital refers to social resources a person can access through contacts with others in his or her social networks (Manturuk et al., 2009). This dissertation is an effort to hold a comprehensive discussion of the concepts, theory, empirics and methods leading to generate thesis/arguments on social capital, its role on receiving housing loan, in the context of Nepal. In this thesis the term ‘social capital’ has been explained both in form of concept and a variable to check the role of it over the activities in receiving housing loan.

Social capital is features of social organization, such as a trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions (Putnam, 1993). This dissertation has tried to depict social capital as the social resources a person can access at an individual level. It has been recently observed, social capital is not a one-dimensional concept, and, while sharing a common interest in how relational resources aid the conduct of social affairs, the different authors on this topic have focused on different facets of social capital (Nahapiet and Ghoshal, 1998). Social capital has been used to describe not only social phenomena, but also the development of economic firms, geographic regions and even nations as a whole.

Social Capital can be examined in role of variable and this mainly triggers my objectives. Field (2005) argues that social capital is an independent variable that explains some variations in learning. It is highly significant to discuss social capital as a resource to be economically capitalized. There are certain economic institutions that every person comes into contact with and acquires the services of, examples include

banks, shop outlets, insurance companies, etc. The relationships had and acquaintances made with the people employed by such institutions can be considered social capital. Banking and procedure within it has been analyzed on different aspect and scholars have produced different literatures about it. Everyday activities have a social aspect behind their occurrence. Modern time dictates that all activities need to be defined in an embedded manner. For example, the economic life of a person cannot be defined without first analyzing his/her social life. Therefore, any economic activity occurs in close proximity with social interactions, social dependency and collective behavior. The social capital which is accumulated by people in their life manifests itself in that person's day to day life. Banking, which in essence is an economic activity, gives off the smell of different social phenomena. When banks carry out their different activities, effects of social phenomena become prominent as the main place where a bank has to work is society itself. Banking also plays some role in the accumulation of human capital.

Social capital theory contends that social relationships are resources that can lead to the development and accumulation of human capital (Machalek & Martin, 2015). Normally it is not counted as productive aspect especially for those who calculate their profit and loss solely in monetary units. But social capital has high value in shaping any economic decision. Here, we mean especially about housing loan. Banking transactions are thought of as impartial and unbiased phenomena. If a person is economically and legally eligible, then that person should get the service he is demanding. But this is an ideal scenario. In real life, social aspects also come hand in hand with very banking activity because we cannot ignore the interpersonal trust of people which plays an important role in explaining the efficiency in the financial activities among people.

Social capital refers to trust, norms and networking. It is an abstract structure of individual which is shaped by the contemporary society. Factors such as age, education, gender, etc. are seen to comprise social capital according to the scenario. Similarly loan is a liability in monetary form which has to be conditionally paid back. Conventionally, banks and financial institutions are responsible for transaction of loans at institutional level.

If this is so what is social capital in terms of banking activities? To define this; we should explain about the bank and its social background. Specifically if a person entered bank to borrow for home loan does he become the subject of social relationship to the bank? Banking is a society based economic institution which has been in practice since early history and this institution evolved and developed amidst social reality. The main job of banks and financial companies today has become accepting the deposit from the people and providing loans with interest or/and with the provision of collateral. The history of banking refers to the development of banks and banking with banking defined by contemporary sources as an organization which provides facilities for acceptance of deposits and provision of loans. The prime function of the banking system in any country is to mobilize the public savings in forms of deposit and channel them into productive sectors of economy in forms of credit (Rosamma, 1991). The core function of commercial banks is to provide loans to borrowers. Loan and advances are the key part of bank's total assets and are the main source of earnings for banks (Dhungana, 2014). Therefore this research is closely linked with the main function of banks and banking. But the existing behavior shown by both the debtor and creditor in banking activity cannot be sufficiently interpreted without looking at the social phenomena. Broadly defined, social capital is the actual and potential resources embedded in networking relationships that are accessed and

used by actors (e.g., managers of business enterprises) for actions (e.g., conduct of enterprise business activities) (Acquaah, 2008). Banking activities appear to be interpersonal. It has been the majority view among sociologists, anthropologists, political scientists and historians that such behavior was heavily embedded in social relations in pre-marked society, but became much more autonomous with modernization (Granovetter, 1985).

This means people go to bank mainly to get loan for their own purposes. Another reality which is equally prevalent is that not all loan applicants get what they ask for. There are different economic and legal causes behind this. But only legal and economic causes do not solely constitute the entirety of the reasons behind one's being not granted loan. Human behavior equally affects economic activities. How behavior and institutions are affected by social relations is one of the classic questions of economic theory (Granovetter, 1985). It is necessary to conduct a chronological study of banking first to see if there are other variables affecting this economic institution. One also needs to see cautiously what kinds of variables are at play.

In this regard, the research aims to identify the meaning of social capital and the role it plays in the process of getting housing loan from a bank. For the research, the ontology of social capital is similar to what has been suggested by Bizzi(2015). Unlike other forms of intellectual capital, social capital points to the value of relationships between people in firms, and between firms and other firms inclusive of trust, reciprocity, shared values, networking and norms (Bizzi, 2015). Reality itself is constructed. This institution comes into existence not only through the underlying processes linked to economics but also the social fabric.

Nahapiet and Ghoshal (1998) suggest that a specific definition of the term is hard to come by, but the definition Nahapiet and Ghoshal (1998) relate to is that

social capital means the actual and potential resources embedded within, available through, and derived from networks of relationships possessed by an individual or social unit, and they view social capital as a relational resource (Young, 2012).

It is essential to understand and be aware of value, in the form of social capital, in what very often turns out to be the communities and networks in which you operate (Young, 2012). Epistemology focuses on what constitutes valid knowledge and how we can obtain such knowledge (Seth, 2014). In the sense every social phenomenon is described and presented on the basis of peoples' knowledge and experience. This is how social phenomena are perceived. Social Capital with its different forms and names has its history along with human civilization. It may be such that all the above have helped the researcher to understand and conceive reality towards social capital in relation to banking, which is the epistemology for the research.

Therefore, in the context of Nepal as well, bank and banking cannot be defined only on economic or technical grounds and this institution has a sociological ground. Hence, the general perception Nepali people hold towards banking has room for certain additions.

Axiology focuses on place of values in the research process (Seth, 2014). For capitalist society, social capital in relation to bank, is an institution for capital formation and it gives priority to individual whereas a socialist society understands this social capital as aspects, which tries to reform society by economic cooperation. Similarly, for the people of highly developed country, social capital in relation to bank is the aspect, which basically secures their goodwill and invests it on their economic development. Therefore, the value of social capital in Nepal has a shape of its own; a shape which is based on its own original and unique variables and social

interactions. Social capital is part of the umbrella of intellectual capital, and may mean placing value on the social interactions (Young, 2012).

The term “bank” refers to any financial institution licensed by the Nepal Rastra Bank to carry out “A” category financial transactions, abiding by the prevalent law (Nepal Rastra Bank, 2019). Similarly, according to the Bank and Financial Institution Act (BAFIA) 2017, bank is that which perform its role according to the sub section 1 of section 47 of the same act. According to this sub section the main assignment of the bank is to collect the deposit it from the people and provide the loan in interest. In course of defining the bank we should illustrate the access and authority of the institution. Bank is that which accept deposits or to mobilize deposits through various financial instruments and make payment thereof with or without (Nepal Rastra Bank, 2019).

If viewed from this perspective, banking in Nepal is solely economic in nature. However, there are social variables that play some degree of role. That is why in spite of the presence of many definitions of banking, an attempt has been made to explain banking as a social system and the impact of it using the lens of Nepalese society. Banking has been defined on the basis of its function here. Even on the basis of functions it has been defined with varieties. Some people understand it only in the sense of money lenders but it cannot be limited to money lenders. The accepting of deposit of money from the public with the purpose of lending or investing this deposit as the main functions of the bank has been cleared in the Indian Banking Regulations Act, 1949 in which the term banking has been defined as “accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawal by cheque, draft, order, or otherwise (Vaish, 1989).

Seeing from this point of view banking in Nepal is an institution with entirely

economic business. But it can be assumed that its social aspect is equally important which affects every activity of banking. That is why in spite of presence of many definitions of banking, banking and its impacts as a social system is explained using Nepali society as reference.

These all activities have explained the technical aspect of bank and have been defined by the economic variable. But the social aspect is equally responsible there. More recent comments by economists on ‘social influencers’ construe those as processes in which actors acquire customs, habits or norms that are followed mechanically and automatically irrespective of their bearing or rational choice (Granovetter, 1985). Even while implementing laws and regulations, social capital plays a vital role. Social capital has the ability to ameliorate the inefficiencies and ineffectiveness inherent in the implementation and enforcement of laws and regulations (Acquaah, 2008). Without the aid of social capital, laws and regulations cannot be implemented properly.

In case of Nepal, the primary job of a bank is, no doubt, to accept the money for deposit and lend money for usury. Banks claim they are competitive on the base of economic liquidity, legal documents collateral etc. This topic of priority is often hidden but it is an important aspect nonetheless. In classical and neo-classical economics, therefore the fact that actors may have social reactions with one another has been treated if at all, as a fictional drag that impedes competitive markets (Granovetter, 1985).

In Nepal, housing loan is by itself an indicator of social status. Housing is regarded as an indicator of human civilization and this notion acts as a focus of economic activity, a symbol of achievement, social acceptance and an element of urban growth (Central Bureau of Statistics, 2014). In this, housing has been described

as an economic activity and social acceptance of social capital. It has been called an indicator of human civilization. But whether housing is social or economic is not the concern and the questions are about the activities between a bank and their customers. It is to find out whether the process of loan procurement is purely economic or has social factors embedded into it.

The priority criteria for housing loan are the subject that this research focuses on. It has dealt with the question whether priority criteria for the aforementioned loans are solely legal or not. Procedurally, it is a non- corporate loan and the area of corporate loans is vague and so, it is not our intention to discuss this type of loan. Non-corporate loans are provided to common people. So, non-corporate loan is also called consumer loan. Such types of loan are distinguished mainly on the basis of procedure and interest and the terms, conditions and the rates of interest are also different between corporate and non-corporate loans. But the objective of lenders who take either of the two loans is to capitalize their property.

The impacts of social ties were the main issue to discuss in this research; with socio-cultural and economic conditions of different loan takers in consideration. Different artifacts and acts related to banks have defined the concept of bank, interest, interest rates and other terms and conditions. These definitions have given a scenario of banking in Nepal but the main concern is to observe the effect of social ties or the role of social capital on the accessibility of loan. Housing sufficiently can be a good representative activity to justify the priorities in the context of the Nepalese society.

Finally, role of social capital in housing loans is the main concern of researcher but it is better to address other questions related to the topic as well. So, the research has defined them as the gateway of research.

1.2 Statement of the Problem

The meaning and role of social capital locating the issue on housing has become the statement of problem because some of the empirical and theoretical proofs regarding it have come close but been unable to give true meaning.

The establishment of Nepal Bank Limited marked the beginning of an era of formal banking in Nepal. Again, it has been proven that the functioning of such economic activities happened on the basis of social relations but research on the social aspects of banking is lacking. Thus, the functioning of the bank and financial institutions regarding housing loan tracks the meaning and role of social capital in housing loan.

Bank and financial institutions is a social network on the basis of their function. Social network is made by social capital and social capital is accumulated by social network. Hence, if social networks create social capital, they are exogenous to its definition and social capital is conceptualized as the result of social networks (Bizzi, 2015). Therefore, meaning and role of social capital have been interrelated with the establishment and development of banking based on their functions. But the role and meaning of social capital in functions like providing housing loan by bank is a subject still undefined.

There are many more and comprehensive research on technical parts like economic liquidity in relation to the accessibility of loans. Legal procedures regarding getting loan have also been extensively analyzed. In spite of this there are different kinds of priorities in getting loan; and this must be analyzed from a sociological perspective.

1.3 Research Questions

1. What are the provisions of social capitals to handle the housing loan issues in banks in Nepal?
2. Why is housing loan not defined solely by economic aspects?
3. How is the role of social capital of loanee in housing loan borrowed from the banks in Kathmandu?

1.4 Objectives of the Study

The general objective of this study is to analyze the role of social capital in housing loans.

However, the following are some specific objectives:

1. To explore different factors of social capital of loanee with respect to the bank in Kathmandu,
2. To describe social capital embedded as alternative to the economic relations in between bank and the loanee.
3. To explain role of social capital in getting loan facility.

1.5 Significance of the Study

Banking is a well-known institution and its practices are different in different parts of the world. It seems the institution was grown up from the ground of pure economic capitalism. Seeing from this aspect it has completely ignored the social aspect like the role of social capitalism. In this regard literatures are failing to justify or refute the existence of such important banking aspect. It is yet unknown if the present definitions of banking activities are sufficient to fully address all aspects of banking. This study would attempt to fill this knowledge gap, which may be useful to

the planner, policy maker and the people concerned with banking. If banks pay more attention to social capital, then the quality of the relationship between stakeholders and bank will increase. Presence of social capital means higher respect and attention. This respect and attention prevents both bank and its stakeholders from committing fraudulent or criminal activities. This fact can be found in several literatures but has not been proven in case of Nepal. For men, social capital that yields material resources and social status is especially valuable, and the threat of losing those resources would be likely to inhibit deviant or criminal behavior. This type of reasoning is consistent with empirical findings that document male sensitivity to status loss or degradation (Machalek & Martin, 2015). These kinds of practical issues will be analyzed by this research. If a literature on this topic is to be written, that literature would be very important for policy makers and stake holders alike. More significantly, it is important to talk about the academic aspects of this dissertation. A scholarly analysis of the study shows two kinds of significance of the study: Theoretical Significance and Empirical Significance.

Theoretical Significance

There are many theories about social capital that help explain human interaction, relations and behavior. Economic activities may seem to be exclusively economic on superficial analysis but it has been shown by Granovetter (1985) that social capital also has significant bearing on economic activities through his theory on embeddedness. This dissertation aims to test this theory in a certain specific setting: the paradigm of housing loan in Nepali banking.

Empirical Significance

The empirical significance of this dissertation includes multiple prongs: this research aims to find out what kind of people come to bank for loan; it explores the social profile of said people; and it explores the possibility of a link between social profile of loanee and banking behavior. All this is done using quantitative and qualitative data obtained from questionnaire and interviews respectively. Several aspects related to loan have been presented on the basis of the social profile of loanees to triangulate a relation between profile and behavior and the researcher has made the utmost efforts to show the nature of reality in the context of Nepal.

1.6 Limitations of the Study

The permission to start research was granted by the Office of the Dean, Humanities and Social Sciences, Tribhuvan University on the 13th of March, 2022. Data collection was done during June 2022; to March, 2023. This was followed by data analysis and processing which ended on September, 2023. Sample size was 251.

The research work is designed to complete within a limited period of time. Generally, the secondary sources have been used for the research work such as library and internet search. Despite being one of the most significant subjects, there are some limitations regarding the preparation of the thesis. Some of the limitations are.

The term social capital when linked with banking is very specific. In course of this study researcher is very concentrated to discuss the role of social capital over the banking to avail the housing loan. Rather researcher is mainly limited by social capital, banking and effect of social capital over the banking. Related reports, books, acts available only through the concerned authorities and by few freely available

digital books over internet and online articles published by various writers are analyzed to achieve the required findings.

1.7 Organization of the Study

The first chapter entitled 'Introduction' contains the context locating the issue, statement of the problem, research questions, and objectives of the study, significance of the study, limitations of the study and organization of the study.

The second chapter consists of literature review and it has sub chapters: background of the study, theoretical review, empirical review, methodological review, theoretical framework, conceptual framework and research gap.

The third chapter explains the methodology pertaining to this study. It has sub chapters: introduction of the study area, rational of selection of the study, research design, universe and sampling, nature and source of data, tools and technique of data collection, data analysis, field experience, hypothesis, variables used as predictors and philosophical position.

The fourth chapter is entitled 'Trends and Practices of Social Capital in Housing Loan' which explores several aspects of housing loan in Nepal and outside Nepal. It has sub-chapters: Investment on Housing and Practice of Social Capital. The sub-chapter Practice of Social Capital has the following sub-sub-chapters: Age of Applicant and Tenure of Loan, Family and Relation of Applicants, Income and Profession of Applicants, Property of the Applicant, Gender of the Applicant and Health of the Applicant, Education of the Applicant.

The fifth chapter is entitled 'Social Capital among Loanees of Bank' and it presents the results of questionnaire and field study. This chapter has multiple sub-

chapters: Gender and Age, Occupation, Education, Income, Family Size, Years in Current Profession, Housing Loan among Respondents, Banks and Loan Behavior, Education, Amount of Loan, Interest Rate, Type of Financial Institution, Time of Loan, Means of Loan Application, Knowledge of Housing Loan, Social Capital in Loan Operation, Multiple Loan Applications and Health Status.

The sixth chapter is entitled 'Social Capital, Loan and Investment Performance' where data obtained from questionnaire and interviews has been statistically and comparatively studied. This chapter has sub-chapters: age and choice of banks, gender and choice of banks, education and choice of banks, occupation and choice of banks, monthly income and choice of banks, family size and choice of banks, gender and volume/amount of loan, age and volume/amount of loan, occupation and volume/amount of loan, education and volume/amount of loan, monthly income and volume/amount of loan, family size, professional history and volume/amount of loan, gender and time of loan, age and time of loan, occupation and time of loan, education and time of loan, monthly income and time of loan, family size and time of loan, professional history and time of loan, gender and interest on loan, age and interest on loan, gender and interest on loan, occupation and interest on loan, education and interest on loan, monthly income and interest on loan, family size, professional history and interest on loan, relationship with referring party and choice of banks, relationship with referring party and volume of loan, relationship with referring party and time of loan, relationship with referring party and interest rate, health and choice of banks, health and volume/amount of loan, health and time of loan, health and interest rate and hypothesis testing.

The seventh and final chapter consists of the summary and conclusion of the study. It has four sub-chapters: summary, conclusion, contribution to knowledge and recommendation for further study.

CHAPTER II

LITERATURE REVIEW

This chapter is the presentation of all relevant literature referred to during the course of this dissertation. The title of this dissertation is focused on social capital and its effects on housing loan; and to that end, the interrelation of social capital with other aspects has been presented. Efforts to construct a referential background of social capital have been made through literature and this chapter of the dissertation is a presentation of the summary of literatures and how they relate with social capital.

Theoretical review has been carried out first to create theoretical background for the dissertation, where the theories on social capital have been presented. This is followed by empirical review, where real-world practices and applications of social capital have been presented, especially in the area of banking and loans.

Methodological review has been done to generate guidelines for research and subsequent analyses.

Theoretical, empirical and methodological reviews are followed by theoretical and conceptual frameworks. Theoretical framework is an effort to integrate this dissertation and its scopes into existing theories of social capital, and Conceptual Framework is a demonstration of the routes to take in course of research, in terms of the inputs to take and the information to be generated.

2.1 Theoretical Review

The use of social capital is found in different scenario throughout history but its main application is present in the development of human beings. It has been used to describe the performance of economic firms by understanding such firms as social community. Organizations have certain capabilities for creating and sharing

knowledge owing to their functioning as social community, and this is advantageous compared to other institutional arrangements (Nahapiet & Ghoshal, 1998).

The embeddedness argument stresses instead the role of concrete personal relations and structures (or ‘network’) of such relations in generating trust and discouraging malfeasance (Granovetter, 1985). In high-social-capital areas, households are more likely to use checks, invest less in cash and more in stock, have higher access to institutional credit, and make less use of informal credit (Guiso, 2004).

In this chapter, the views of different sociologists about social capital have been collected and put forward. It tries to illustrate the influence social capital has over home loan. So, introducing social capital with the words of some prominent sociologists is the first course of action. Some ideas about banking and home loan have also been illustrated.

In the context of Nepal, social capital is based on factors such as education, health, family size, monthly income (capacity), occupation, etc. In this chapter, these aforementioned factors have been reviewed in detail. Hence, ideas and trends about these factors that are practiced in different parts of the world have been brought forward and they have been compared and analyzed along with the ideas and trends that exist in Nepali context. The sociological concept about Embeddedness has been used as the theoretical framework for this review chapter.

This chapter also cites ideas on urbanization; especially urbanization in Kathmandu. The research is centered in Kathmandu. Granovetter (1985) has attempted to explain how behavior and institution are affected by social relation and has answered the classic question of social theory. The word ‘embeddedness’ has been to explain the interrelation between economic activities and social interactions. It

has been claimed that no economic activity is detached from social phenomena. In other words, it is claimed economic activity is embedded into social networking with chronological explanation of different economic activities ranging from prehistoric ones to everyday ones. All economic activities were based on social networking but as time progressed economic activities have become more and more autonomous. Economy has become more market oriented and it is to this increasing inclination towards the market that the distance between social aspects and economic activities is increasing and therefore the increasing distance between the two respective studies. Such instances have been elaborated.

Social aspects still largely affect economic transactions, just not to the extents found say hundred or two hundred years ago and also it is to be stressed that the aforementioned effect is still highly significant. An immediate example can be cited as well. As said in the previous paragraph, acquaintance is not necessary for business these days but it is also equally true that being acquainted with the other party results in more efficient business.

The effect of social networking on economic activities is higher in internal markets than that in external markets. An internal market is one composed of people of the same caste, of same ethnicity and is limited to a small village. The sense of trust and belief among people in internal markets is automatically higher compared to external markets.

Formalists and economists under-socialize economic activities and development theorists over-socialize them. Embeddedness argument stresses instead the role of concrete personal relations and structures (networks) of such relation in generating trust and discouraging malfeasance. Economists have pointed out that one incentive not to cheat is the damage to one's reputation; but this is an under socialized

conception of reputation as a generalized conception of reputation as a generalized commodity, a ratio of cheating to opportunities in doing so (Granovetter, 1985). It is said that economic activities cannot exist separately from social structures. Social institutions interact with each other and they shape one another. Economic actions and social structures are always interwoven. Most economic theories have a social foundation. In every economy, there are roles of social networks, norms, trust, power and institutions. There is also the role of personal relations in economy, corruption, corporate governance, organizational form and the emergence of new industries. This theory claims that no economic activity can be analyzed with their social conditions detached.

He has explained how personal connections (which in the article he has referred to as 'ties') affect social phenomena. He begins so by explaining how interpersonal connection between two people affects their interaction. He explains that the stronger the tie is between two people, the more amount of time they will commit to each other.

He has used this notion of interpersonal connections and how it affects social interaction to explain how these smaller social interactions or micro-processes affect larger social phenomena and vice-versa. He has mainly used stoichiometry as the tool to demonstrate a pictorial way in which interactions take place. He says that people with stronger ties are cohesive to one another or in other words, they stick with one another. Swaying them from one another is rather hard. People with weaker ties are comparatively easier in this regard.

We are taught from a very young age that an individual is the structural and functional unit of a society. He has illustrated the same thing only using ties as the focal point. He first points out how micro and macro level

interactions were linked only in words and how this micro-macro relationship lacked a logical explanation. He then attempts to provide this said logical explanation.

The weak ties are focused on because he believes that weaker ties tend to be more informative than stronger ties. This is because most information in case of stronger ties is mutually received and new information is generally not relayed. However, in weaker ties, productive and newer information tend to be circulated.

Moving to the research, the notion of housing loan if viewed from a sociological perspective can be thought of as a macro-level process. And the notion of social networking incorporates many smaller social interactions and processes which can also be termed as micro-level processes. Hence, social networking and gaining loan is helpful to determine which aspect of the micro-macro relationship to focus on to establish a logical relationship between the two.

Similarly, the notions of strong and weak ties come into context since people prefer to interact with institutions that they have previous endeavors with rather than with newer prospects. This preference can lead to unproductive results since newer prospects may often provide better offers, which gets ignored if only acquaintances and previous interactions are prioritized. This model can also be used to describe bank loan and customers. Customers often prefer to take loan from banks that they have previously had business with. They do not look at the rates offered by other banks. This negligence can prove to be disadvantageous because by choosing to ignore other banks, they also ignore possible lower interest rates.

In another article, Granovetter (2005) has tried to link social structures to several economic activities. As the title of the article clearly suggests, social structures affect the results of economic activities. The writer has tried to explain the how and why aspects of it.

In the article, he has separately listed and explained how social structures affect different aspects of economy. He starts by explaining how social structure affects labor. The social interactions between an employer and an employee directly dictate outcomes of their organization. He then moves on to explain how social structures affect productivity. He says that better relationship between individuals ensures better cooperation which consequently results in higher productivity. He then moves onto explain how social structures affect the onset of new ideas i.e., innovations. For innovations to be effective, they need to reach the intended people. This spreading process, which the writer calls diffusion, is effective only if the innovator is in the right place socially. He needs to have the ability to carry out social interactions properly in order for his work to take flight.

In evolutionary terms, social capital can be defined as any feature of a social relationship that yields reproductive benefits (Machalek & Martin, 2015). There are three forms of capital: economic capital, cultural capital and social capital (Tokas, 2016). He defines social capital as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition or in other words, to membership in a group, which provides each of its members with the backing of the collectively owned capital, a “credential” which entitles them to credit, in the various senses of the word (Tokas, 2016).

2.2 Empirical Review

It is important to understand first what banking is first. Many books related to banking have been reviewed. Similarly, the researcher has reviewed different articles and researches about banking from an evolutionary point of view. The trend and practice of social capital with relation to banking have been reviewed. The manner in

which concerned authorities and experts perceive banking is also a matter to be given importance to. So, the researcher has tried to involve statistics from concerned authorities and experts' views. The researcher has mainly chosen the publications of NRB since NRB publishes its findings on a yearly basis. The researcher has also reviewed other Acts and books. Here arises the question as to why people take loan from banks. In this regards the research has a positivist approach that there are some similarities in the basic nature of human beings. Normally, they take loan for the benefit of their lives and livelihoods. Humans are assumed to be self-interested, pleasure seeking, rational mammals. That is why the cause will have the same effect on everyone.

Institutionalization of Banking

A provision of loans with interest has been institutionalized as the main activity of banks in Nepal. The formulation of monetary policy in Nepal formally received its institutional, legal, and more transparent framework in recent decades only. NRB Act, 2002 broadly provides the guidelines and institutional set-up for a monetary policy decision (NRB, 2019). In Nepal the initialization of bank seems to start on the base of social capital. Social Capital is the collection of “friends, colleagues, and more general contacts through whom you receive opportunities to use your financial and human capital (Bizzi, 2015).

This means money was lent on the basis of social identity. The Nepal Bank Limited was established with the authorized capital in which government contribution was 51% and remaining 49% was from the private investor. Nepal bank limited was the first commercial bank of Nepal. Being the first bank of the country, it has been playing a dual role as the private Bank as well as the bank of the Government (D. B.

Shrestha & Singh, 1972). The establishment of Nepal Bank Limited, the first commercial bank in Nepal in 1937, was an initiation for the formal banking of Nepal. With the establishment of Nepal Bank Limited, the usury system or providing loan in taking interest institutionally began in Nepal. During the tenure of the then prime minister Ranodip Shah “Tejarath Adda” established during the year 1877 A.D. it played vital role in banking system as regulatory and promotional organ. It helped the general public to provide credit facilities at a very low rate of 5% especially on the collateral of gold and silver (Chaurasaiya, 2013). Tejarath Adda didn't accept deposits, the foremost task of saving in the part of people was lacking and they couldn't perform the task of mobilizing idle resources in productive sector. But we can say that the establishment of Tejarath Adda could be regarded as pioneer foundation of banking in Nepal. The main defect of this institution soured as there was no other financial institution set up and no effort to expand the services. After that again for a long time, several unorganized bankers continued to flourish as the sole provider of credit and services to the general public. This means banking in Nepal was started in true sense making people credited. Adda didn't accept any deposit from public (Chaurasaiya, 2013). Thus, the system of money lending which is the main job of bank today evolved institutionally from the notion of social welfare in a way. Social networks are exogenous to the definition of social capital. Social capital and social networks are two independent but causally related concepts (Bizzi, 2015).

Presently Government of Nepal mobilizes domestic debt of Rs.96.38 billion and made a payment of Rs.34.31 billion thereby mobilizing net domestic debt of Rs.62.07 billion in 2018/19 which is 1.8 percent of GDP (NRB, 2019). This means even the contemporary government is motivating people towards banking. More over

what we can get that the government itself has made the way for capitalization through the banking.

Banking in Nepal has been always guided by the monetary policy of the NRB. But it does not have a long history. NRB began the practice of formally announcing and publishing monetary policy statements from fiscal year 2002/03 which was a breakthrough in modernizing monetary policy through a more transparent framework with public dissemination.

But this evolutionary policy has not mentioned anything about the interest system particularly whereas it is the main base and business of the bank. NRB itself give emphasis on interest to determine the monetary as well as economic policy of Nepal. Monetary policy will focus on interest rate stability through effective liquidity Management. This indicates another reality that the liquidity of interest is the topic of great deal and it must be addressed on time. In Nepal, around 94 percent of sources of fund is mobilized from public and corporate deposits and remaining 6 percent from the shareholders equity (Timsina, 2011). In this case there is no any rationality if we do not talk about the interest. And topically housing loan is an important title to play in interest-oriented business.

However, the empirical result of a study shows that bank lending decreases after a monetary tightening. This proves that the state control and regulate the money lending systems. Studies have been conducted using data from 2003 to 2012 (Budha, 2013).

The study of monetary policy begins only from the year 2003 because it was only in the fiscal year 2002/03 that monetary policy was introduced in Nepal. At the time of introduction of Nepal Rastra Bank Act, provisions were set up. "Nepal Rastra Bank is to formulate necessary monetary and foreign exchange policies in order to

maintain the stability of price and balance of payment for sustainable development of economy, and manage it. There was another provision in the same Act but the provision was in a stereo type objective. The bank is to promote entire banking and financial system of Nepal and to enhance its public credibility (Government of Nepal, 2002).

Bank and Financial Institution Act, 2006 was a milestone in the development of bank and banking in Nepal. The objectives of the Act are comprehensive and inclusive. The objectives provisioned in the Act are to promote the trust of public in the overall Banking and financial institutions of the country, to protect and promote rights and interests of depositors to provide reliable and quality banking and financial intermediary services to the public through healthy competition among banks and financial institutions. This was also done to minimize risks related to the bank and financial sectors to liberalize banking and financial sectors and also to further boost and consolidate the economy of the Kingdom of Nepal (Government of Nepal, 2007).

Nepal Rastra Bank (NRB) has been issuing monetary policy publicly since 2002/03 and has been releasing half-yearly review of the policy since 2004/05 and quarterly review since 2016/17. This also gives scenario of its role on socio-cultural life of people through macro- economic status in away. Even by the policy major business of banking comes to be major effects in overall economic system of the country.

It is observed in NRB's policies that the bank does not want to rely solely on interest system and has therefore explored options for instrumental diversification. Policy to encourage Bank and Financial Institutions (BFIs) in mobilizing financial resources through the issuance of debentures has contributed to the development of bond market. In 2018/19, altogether 14 commercial banks obtained approval from this

Bank to issue debenture worth Rs.43.98 billion. The same policy has tried to justify the credit and interest system. In this regard different type of policy has been taken as the due process of NRB. With regards to the pectoral investment, it has made the compulsion to go to the prioritized sectors like agriculture, tourism etc. The existing provision requires commercial banks to disburse minimum 10 percent of their total credit to agriculture sector and minimum 15 percent to energy and tourism sector. Outstanding loan in these sectors stood at 8.6 percent and 8.6 percent respectively in mid-June 2019. This provision clears that a huge amount it means 75 percent of the credit amount goes to the unproductive sector and even the percentage to invest in agriculture is very low since this country is known as the agricultural country. Not only is this but also to justify credit more social, the policy has provisioned BFIs required to disburse at least 5 percent of their credit to the deprived sector. Such credit accounted for 6.1 percent of total credit in mid-June 2019. Banks also provide the option of refinancing. The refinance facility availed by this Bank at a subsidized rate to the BFIs amounted to Rs. 22.40 billion in mid-June 2019. It has been written that the main purpose of such facility is to support production and export. Under this scheme, the outstanding general refinance and export refinance are Rs.19.27 billion and Rs. 870 million respectively. As of mid-June 2019, the outstanding amount of agriculture and livestock business loan disbursed to 15916 borrowers under 'Unified Procedures for Interest Subsidy on Concessional Loan, 2018' stood at Rs. 29.36 billion. Similarly, the outstanding loan disbursed to 766 borrowers under 'other sectors' of the scheme stood at Rs. 413.2 million. Government of Nepal provided interest subsidy of Rs. 1.25 billion for the concessional lending programs (NRB, 2019).

Budha (2013) has justified that capitalization is found to have no significant impact on bank lending. This Research has estimated the loan supply responses of Nepalese commercial banks. It has examined the bank lending channel of monetary policy transmission in Nepal using data during 2003-2012 using the dynamic Arellano-Bond GMM estimation with annual data of 25 Nepalese commercial banks. Research has suggested that banks play a role in Nepal's monetary transmission mechanism. Empirical result shows that the bank lending decreases after a monetary tightening. Bank size is found to have significant impact on loan supply in Nepal. Similarly, liquidity in the case of private sector banks is also playing a significant role in bank lending in response to monetary policy changes.

Timsina (2011) has examined the impact of commercial bank credit to the private sector on the economic growth in Nepal from supply side perspectives. Taking data from the period of 1975 to 2014 it has been claimed that bank credit to the private sector has positive effects on the economic growth in Nepal only in the long run. This means for short run bank credit does not give positive effects. Nevertheless, in the short run, it has been observed a feedback effect from economic growth to private sector credit. This empirical study has suggested that policy makers should focus on long run policies to promote economic growth – development of modern banking sector, efficient financial market and infrastructure so as to increase the private sector credit which is instrumental to promote growth in the long run. While all these activities were going on with thorough studies about them, how social networks functioned in banking activities was not explained anywhere. Social capital is primarily about the relationships that actors maintain, characterized in terms of such features as number, strength, and density (Bizzi, 2015). Hence social aspects definitely played some role in course of institutional development. Its affects flow

from the information, influence, and solidarity it makes available to the actor (Bizzi, 2015).

Loans and Housing Loan

NRB(2019) has illustrated how banks may ignore the social aspects of human life in course of investing with the goal of generating profit. Alongside profit, banks invest only in those departments where future safety is guaranteed. Research has indicated that the main aim of bank is to earn profit. Research has designated real estate as an unproductive sector and yet many banks continue to invest in it. And hence, control and regulation of this investment is necessary. The responsibility of acting as the regulatory authority is that of the central bank and the central bank uses certain tools to do so. From a corporate standpoint, real estate is a business which does not provide any long-term benefit.

Citing IMI, the report reveals that though the percentage to invest in housing is only 20% in 2010 as exposure. Research has arisen doubt on the classification of types of borrowers and say, the actual exposure may be more than that. With regards to why banks are interested to invest in this sector, it is mainly due to the collateral, this study says indirectly. This means the loan provided to buyer is more collateral-based rather than performance-based. Research suggested reducing percentage of investment in this sector.

This study was conducted only about real estate banking and found that real estate banking is an unproductive sector. Other unproductive aspects such as auto loan have not been mentioned here. Another thing is the study has not gone up to what socio-economic effects are there in the livelihood of Nepali people is not mentioned. It is mentioned that central bank has tried to control and regulate the increment of real estate.

It is also useful to see if loan investments are done in unproductive sectors when viewed from the perspective of interest security. To make interest strong and sustainable, a different kind of action that has been taken time to time. Hydropower, agriculture, tourism, exports, small and cottage industries, pharmaceuticals, cement and garment will be defined as priority sector loans (NRB, 2019). This shows the conditions that banks have continued to focus on housing loan even though their previous researches have concluded that housing loan is unproductive. From this, it can be concluded that banks consider housing loan safe not because of any social reason but because of the collaterals they take in exchange of the loan and hence they continue with it. Collateral, permanent job high salary, business in profit has been the subject matter to provide the loan.

The existing policy provision for the commercial banks to extend at least 10 percent of their total credit in agriculture sector and at least 15 percent in energy and tourism sector has been kept unchanged.

The existing policy provision for the development banks and finance companies to extend at least 15 percent and 10 percent of their total credits respectively to the priority sector has been kept unchanged. Being the important source of GDP agriculture is in high priority. MFIs will be required to disburse one-third of total credit to agriculture sector.

For agriculture, enterprise and business promotion loan up to Rs. 1.5 million, BFIs will not be allowed to charge interest exceeding 2 percentage points above the base rate and take any service fee or loan prepayment charges from the borrowers. Also, each branch of the BFIs will be required to approve such loan within seven days. In case the application is rejected, the applicant should be informed about the rejection with clear reasons (NRB, 2019). Banks do not have much motivation law-

wise or policy-wise to keep providing housing loan. In spite of this, a huge investment of banks is going into housing loan. This behavior can be explained by the theory that banks feel safe while providing loan because of the notion of collateral. This literature concludes that collateral has a greater role in housing loan than social capital does.

With regards to the controlling mechanism, NRB always uses rules that are legally binding. Sometimes, banks are directed by other authorities to present deals that are more beneficial to borrowers. The purpose of this is to attract more customers. Sometime authority issued order banks to make people motivate by facilitating. On the other side loan on unproductive sectors like housing seems always in control. The maximum LTV ratio for real estate loan is lowered to 40 percent from the existing 50percent for the Kathmandu valley.

But on the other side, the limit for personal home loans has been increased. The limit for personal home loans provided by BFIs has been increased to Rs. 15 million from the existing Rs. 10 million through same policy (NRB, 2019). Bank itself declared it is unproductive to invest in housing but the limit for personal home loans has been increased in same policy. The questions may arise here whether the role of social capital like relation, professional history, health status, and education status can be matter. This particular part lacks clarity. The question arises whether this is due to the social capital of the loanee or whether this is because of the sense of safety collateral makes banks feel. It is believed that social capital sometimes makes the foundation of transaction stronger. Social capital is “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition (Bizzi, 2015).” Increasing investment in priority sector has become critical in order to minimize widening trade deficit. In this context, monetary policy has given top

priority to encourage banks and financial institutions for funneling credit towards agriculture, energy, tourism, small and medium scale enterprises as well as to other productive enterprises (NRB, 2019).

Sometimes the BFI tries to balance the loan regionally. Objective is not only to secure investment but also to get the lucrative interest. The maximum LTV ratio for residential housing loan is lowered to 50 percent for the Kathmandu valley and such ratio has been kept unchanged at 60 percent for other places. These policies are for indirect interest earning and social capital is observed to be not function in this regard.

Normally individual housing loan is dealt by retail banking. Retail banking is a different kind of service which focuses more on consumer profit. Retail banking, or consumer banking, is the typical mass-market banking in which individual customers use local / nearby branches of larger commercial banks. According to financial dictionary: Retail banking refers to the consumer-oriented services offered by commercial banks. These services include checking and savings accounts, mortgages and various types of loans and investment services relating to retirement and educational planning. At the same time there is the possibility that social capital also plays some part. We cannot ignore this reality as taken for granted. Services offered include savings and checking accounts, mortgages, personal loans, debit/credit cards and certificates of deposit (CDs). In retail banking, the focus is on the individual consumer. Retail banking aims to be the one-stop shop for as many financial services as possible on behalf of individual retail clients. Consumers expect a range of basic services from retail banks, such as checking accounts, savings accounts, personal loans, lines of credit, mortgages, debit cards, credit cards and CDs. Most consumers utilize local branch banking services, which provide onsite customer service for all of a retail customer's banking needs. Through local branch locations, financial

representatives provide customer service and financial advice. Financial representatives are also the lead contact for underwriting applications related to credit-approved products (Dahal, 2018).

The difference between retail banking and commercial banking is highlighted below:

Retail bank does direct transactions with customers whereas commercial banking refrains from such transactions. Retail banking provides deposits / loans to individuals but commercial banking provides such loans to businesses. Retail banking always focuses on individual customers whereas commercial banking focuses on large corporate entities, multinational firms and public sectors. Retail banking has wide branch network and variety of services available but commercial banking has limited branch networking and focus on small customer base. Retail banking takes fund from individual and invests into small business whereas commercial takes funds from large business and invest back to business. Retail banking has large volume of low transactions but low volume of large transactions in case of commercial banks. Retail banking provides services like accepting deposits, maintaining savings, checking account, providing loans to individual whereas commercial banks provide services like saving account, loan for companies and business. Retail banking is consumer oriented but wholesale banking is commerce-oriented and is profit-seeking (Dahal, 2018). In spite of the existence of several economic and technical reasons behind ups and downs in loan process, what must not be forgotten is that there are other equally important reasons as well. Thus, there are many subjective criteria for loan eligibility that have been developed by authorities and almost all of them have economic bases with some criteria being legal. These all clarify that that there is high potentiality of effects and role of social capital especially in retail banking because banker are more

active to collect the informal information through direct relation with the consumer. For housing loan as well, these aforementioned criteria need to be fulfilled. And these factors may play more active roles than can be imagined. Those factors are social relations, social capital and social networking. This is an assumption which literature has not yet proved but there is lots of space to assume and one which this research will aim to explain. Social capital is defined as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit (Bizzi, 2015). Hence, the relationship that a loanee has or might have with bank staff and bank management also falls under the category of social capital. There is no literature that clearly explains whether this aforementioned relationship affects housing loan. This research will aim to answer that question and if a scenario is established where loanee-bank relationship affects housing loan, then the research will also explore that scenario so as to produce literature about it. Interrelations in between Sociology and Economic Activities

There is no doubt the subject matter of housing loan is an economic phenomenon. Economists have recently devoted considerable attention to the impact of social structure and networks on the economy (Granovetter, 2005). Sociology is the science that deals with social groups. Like other business in life the activities that happen in banking and financial business also fall under the activities of social group. So, no business of life can be detached from the sociology. Normally it is considered the domain of economics but is affected by the sociological aspect.

Economy was used to describe the relationship between landlord and their feudal tenants. The entire process of social change was attributed to economy only. Economic activities have been beautifully explained within sociology here. Weber

heavily criticized Marx saying that Marx was focused only on the economic aspects of society and he said that economy was not solely responsible for all changes in the then societies. He described about different social phenomena. Talking about the change he described how contingencies happen and those contingencies lead to changes. He did so by relating sociology with several other aspects including and not limited to finance. After Weber, for a number of years, the theories propounded by sociologists focused only on sociology; and sociological aspects of other subject areas were left unaddressed. Between World War II and the late-1970s, only a handful of studies addressed issues related to finance (Keister, 2002). However, the contents of these works were insufficient to aptly demonstrate the sociology-economy relation. This started an entirely new era in sociology and economics. Studying economics with respect to sociology and vice versa resulted in many productive findings since society is the place where economic activities take place. Since the early 1980s, the study of markets has become increasingly common in sociology, and the study of financial markets, in particular, has emerged as an enormously rich area of sociological research (Keister, 2002). This research has tried to illustrate the effect of social phenomena over a banking activity which is basically economic in nature. A beautiful platform has been developed to interrelate economics and sociology. More significantly the nature of financial relations is related social institutions. More specifically it has been said that in even the earliest writing on financial markets and banking, sociologists conceptualized the market as a system of ongoing social interactions and banks as key intermediaries in these interactions.

For the most part, modern economics shows little direct interest in the fundamental conceptual questions and, rather, retains the general functionalist theory

of money in which such issues are evaded (Ingham, 2016). Money has been presented as an outer structure covering the condition of economy.

In those all article and researches, they all have illustrated the interrelation between economic activities and social relations. They have beautifully shown how the interrelations among people affect several economic outcomes. Citing some researches, they have said that some economists have started giving considerate attention to the impact of social media on economy. They have separately listed how social structures affect different aspects of finance and economy.

In relation to our present concerns, this meta theory of the economy in the orthodox (neo)classical economic tradition relegates money to an epiphenomenal role in either capitalist development or – more generally in mainstream analysis – in relation to economic ‘growth’(Ingham, 2016). Independent explanations about money were not provided. All money related developments and occurrences were just viewed as consequences of capitalist development and economic growth.

Contemporary social occurrences were also solely studied as consequences of aforementioned phenomena. As a result, independent studies aiming to independently relate sociology with money were not done. Rather, economic expansion is seen as the result of changes in the ‘real’ economy – as, for example, in the neo-Smithian emphasis on technology and the division of labor; or – at the more general level – in ‘real’ factor (Ingham, 2016). Hence, this concept says that money does not play any significant role in the process of increase in economic activities. This article, at places, attempts to relate sociology and economics. But the relation it provides is insufficient.

They all have pointed out that the fundamental weakness of the current sociological theories is that they do not convincingly relate sociological interaction

and economic activities. But some have made analysis of subjective meaning to bridge economic activities with different approaches and theories.

Both Smithian and Marxian classical political economy work with a functionalist conception of money, which ultimately derives from the commodity theory of money (Ingham, 2016). Both Smithian and Marxian economy regarded money as a tool in the much larger process that is economics. They refrained from providing an independent definition of money. Though Marx's works do not directly link social relations with economy, one can find traces of link between sociology and economics. Marx's adherence to a commodity theory of money is closely related to his interpretation of the labor theory of value. Marx believed that the number of hours put in the making of some good is directly proportional to its price. And the price could be paid with commodities of value. The radical originality of Marx's analysis and his critique of classical political economy lay in the further argument that monetary relationships do not merely represent or signify a natural Economic 'reality', but also 'mask' the latter's underlying social 'reality' (Ingham, 2016). The upper parts of the article imply that Marx makes no attempts to explain the social aspects of money. But here, it is said that Marx also tried to show that money also helps to explain different social phenomena; hence providing the first real link between sociology and economic activities.

Effects of Social Capital on Economic Activities

Social capital is the interrelations in between the people measured in a degree of frequencies of interactions or meeting. Social capital can be produced on the base of norms and density. Norms—shared ideas about the proper way to behave—are clearer, more firmly held and easier to enforce the denser a social network (Granovetter, 2005). In course of this, we explain about the complexity of norms and

network of people and their effects on every action; this is a description of roles and also about economic and non-economic activities. Emphases have been given on all the effects and interrelations among economic activities. Nahapiet and Ghoshal (1998) acknowledge that one of the most popular conceptualizations of social capital focuses only on the structure of network relationships developed in organizations (Bizzi, 2015).

Social aspects seem insubstantial but they have a pivotal role in shaping economic activities and decisions. Using laser market as example, Bizzi (2015) has portrayed the relation between several social structures and market economy. In each of the separate segments where he has related social structures to different aspects of economy, he has used the importance of social aspects as the tool to explain his ideas.

It rests on the fact that the denser a network, the more unique paths along which information, ideas and influence can travel between any two nodes. The term 'node' to represent any entity capable of forming a bond. And density here refers not to the traditional meaning of amount of something per unit some quantity; but to the total number of unique relationships possible in a group consisting of a certain number of aforementioned entities. Thus, greater density makes ideas about proper behavior more likely to be encountered repeatedly, discussed and fixed; it also renders deviance from resulting norms harder to hide and, thus, more likely to be punished (Granovetter, 2019).

The first aspect he has talked about is labor market. He says that the nature of relationship that exists between an employer and employee directly dictates the outcomes of their institution. Employer-employee relation with sound social networking ensures better communication which ultimately results in better efficiency. Ultimately, he mentions how social structure dictates the proliferation of

new innovation. Better social network means wider flow of information. This widespread circulation ultimately helps spread new innovations faster.

More novel information flows to individuals through weak than through strong ties. This point of view may seem strange and even untrue at first. But the writer has provided a solid explanation for it. Granovetter (2019) explains how weak ties can be beneficial. Because our close friends tend to move in the same circles that we do, the information they receive overlaps considerably with what we already know. Acquaintances, by contrast, know people that we do not and, thus, receive more novel information (Granovetter, 2019). Then he relates social structures and prices. He says that knowing a person directly influences the price they demand when we conduct business with them. Good relationship with such people may ensure lower prices than what they charge to someone else. Then he moves on to describe how social structure affects productivity. He says that good personal relationship results in better cooperation, which ultimately means more productivity.

Trade among people is drastically affected by personal relations and acquaintances. We are focusing on interest here and interest rates are also determined, to some extent, by social relations and also on how prices of goods and commodities are affected by those said relations. And this article has talked about how interest rate is affected by social relations without directly talking about interest rates.

Glaeser (2000) has explained how social capital is generated and regulated within and between families. There he explains the role family members play while maintaining a widespread social capital. He has described how families affect the transaction of social capital. Here, the term banking has not been used in its traditional sense; but it is referring to all the activities that banks perform, but with social capital

as the main means. The social capital we are talking about also involves banks that deal in money. So, families also affect how an individual does deals with banks.

We sometimes divide individual social capital into different externality-based subcategories. For example, individual membership in a network tends to generate a positive externality while individual status may generate a negative externality (when status is a zero-sum game and aggregate social capital is a function of these many different types of individual social capital (Glaeser, 2000). Neo-classical economic theory has been used to explore the effects on real income of investing in people through education, training and workplace learning (Riddel et al., 2001). So, the theory of social capital was needed even in economic activities.

Determinants of Lending Behavior

According to evidences obtained from studies conducted on credit accessibility in Ethiopia, the country is lagging behind many African countries in term of credit accessibility. This can be related to the social condition of Ethiopia. Banks need to consider the condition of society around them before formulating plans and policies. Like other developing countries, access to bank loan has remained a privilege for many Ethiopian and credit accessibility is one of the major challenges hindering economic growth potential of Ethiopia and leaving people under poverty line. Hence, most people in Ethiopia are unable to procure loan from banks. Like in all cases, studies have been carried out as to why the credit accessibility and availability are so low in Ethiopia. Evidences obtained from literatures on the area tend to suggest that most studies have divided determinants of commercial banks' lending into internal and external factors (Diriba, 2020).

These factors are mainly economic. They do not directly include social factors. Since many economic factors are in turn related to many social factors, one

can speculate the existence of some connection between banking and said social factors.

Commercial banks' lending decision can be influenced by a number of internal and external factors such as; liquidity risk, credit risk management efficiency, equity risk, the volume of deposit, bank size, inflation rate, required reserve ratio, and GDP growth (Diriba, 2020). Hence the writers have only considered the economic factors behind the low credit accessibility in Ethiopia but do not attempt to build a direct bridge to the social factors.

Hence, a sociological account of the banking behavior is evidently lacking and should a sociological study be done, the conditions would be clearer.

In an apparent reference to Nepal, the significant determinants of credit and deposits are solely economic in nature. No doubt there is significant role of this aspect but it is not the sole aspect. Equally from other side, even her findings drag social aspects to shape credit behavior. Credit usually represents the bulk of the institution's assets, while interest on the credit represents the major source of income. Hence, interest is a means for banks to generate income. As said in the previous sub headings, other institutions use money as means of trade but for banks, money is the object as well as the means of trade. Poor management of loan portfolio is the major cause of liquidity crises and bank's failures around the world (Timsina, 2011). This implies some sociological meaning as well. The main working area of banks is human society. While determining interest rates, banks must assess the condition of the society around them and make decisions accordingly. Those that cannot do this properly end up failing. Here, the writer has not directly talked about a relation between banking and sociology; her method of writing implies some sort of relation. Lending behavior of bank generally depends on type of bank, the capital base, the

deposit base, density of the deposit, interest rate, exchange rate, inflation, gross domestic product, investment portfolio, liquidity, monetary and fiscal phenomena, the credit guidelines issued from time to time by the regulatory authority and internal policies of the banks as well as other non-economic factors. The role of non-economic variables while determining lending behavior has been well accepted. All of the aforementioned variables are dependent in some way to the society and the condition of the society. Hence, the writing indirectly says that the lending behavior of banks and sociology are related. These variables can also be called determinants of the lending behavior of banks.

As credit constitutes a major chunk of bank's assets, the study of the determinants of lending behavior becomes necessary because commercial banks in Nepal need to understand how to manage these huge assets in terms of their loans and advances (Timsina, 2011). The determinants mentioned before are in one way or another related to the society and social condition. To study these determinants, their social aspects should also be considered.

Social Capital, Money and Banking

Research on financial markets and banking in sociology is diverse, but it is unified by the assumption that a financial market is a social (Carruthers & Ariovich, 2010). At the time of correlation of money or flowing credit, we knowingly or unknowingly see the sociological dimensions. It is both in individual level and in corporate level that we generally seek social interrelation of creditor and their strength to pay credit. The book suggests we dig out this social aspect and we have to explain this social aspect at the time of circulation of money and flowing credit. In the first conceptualization, social capital in organizations equals social relations, generally described as the structure of social networks (Bizzi, 2015). Hence, the subject matter

of social capital concerns even social relations and social networks. That is why it is possible that financial markets and flowing of money defined in a social system comes to be the matter of social capital.

Early sociologists clearly recognized that money has social meaning, and several excellent reviews detail the nature of early thinking in this area. All sociologists explained money in their own terms and in their own chronological manner. Most of such sociologists are found to relate barter system with money. Money is a medium of exchange that has value because members of a society agree that it has value (Carruthers & Ariovich, 2010). And the values created by the social systems are also related to the social structure and social relations. Carruthers and Ariovich (2010) have tried to explain how money and credit affect different components of the society and vice-versa and have also shown how malfunctioning money and credit can be catastrophic for the society. They also begin by explaining the classical approach to money and how the concept of money in different societies has evolved with time. The writer also describes the key components of the society that lead to economic crises and how those crises affect society. They have also mentioned what sociological steps can be taken to avert such crises. On the basis of this value of money created by the society, housing loan policies are formulated and hence housing loan is also affected indirectly by social occurrences. But this apparent reality is not explained in any literature.

Among the early sociologists, Simmel was perhaps most concerned with money itself, and his work influenced both Marx and Weber (Carruthers & Ariovich, 2010). But there is no subjective approach regarding banking in case of Nepal. Other institutions use money and credit to do business. For such institutions, money and credit are simply means. The main object that banks do business on is money itself.

Other than using money and credit as means, banks regulate the entire structure of money and credit. Banks cannot exist without money and credit and money and credit too cannot exist without banks. They are intertwined and something that affects one also affects the other. This relation exists both ways. If money and credit affect something, then that thing is affected by banking as well. We discover that social capital is associated with higher mortgage approval rates, shorter screening times, longer maturities, lower interest rates, and reduced loan delinquency rates. The results hold when conditioning on extensive consumer and market characteristics, a battery of fixed effects, including individual fixed effects data permitting, and using instrumental variables and propensity score matching. We discover that social capital increases mortgage approval rates by about 4 percentage points when moved from the 10th to the 90th percentile of the distribution, or 33,467 additional new approved loans and almost \$6.6 billion additional value of loans originated per year. Next, we examine loan performance for two reasons. People with stronger social bonds to their community will have weaker incentives to engage in opportunistic behaviors and stronger incentives to build trust and sound reputations within their networks. This view suggests that social capital will also improve borrower behaviors after receiving loans, besides boosting credit approval rates and enhancing loan terms. We test whether borrowers in high social capital communities are less likely to default on loans to maintain their reputations. Second, we analyze loan performance to address a potential concern with the study of loan approvals and the terms of approved loans. Specifically, suppose social capital increases loan approvals through inefficient nepotism and cronyism rather than by reducing informational asymmetries (An, 2022). In that case, there would also be a negative association between social capital

and loan performance. Thus we evaluate the impact of social capital on loan performance.

Social capital seems important also from the view of bank employee. Leadership is an important aspect in a bank and the social capital is also a matter of discussion. Social capital of leaders has a direct impact on the operation of commercial banks and it can be said that the leader's personal relationship helps the bank to have more advantages in its operations. Therefore, when this relationship is good, they will introduce customers to the bank, creating potential customers for the bank in the future, thereby contributing to improving the bank's ability to mobilize capital. More important thing to discuss in this thesis is here. In addition, the leadership's relationship with business partners is also very important. In this relationship, the capacity and reputation of the leader will help maintain the cooperation between the two parties, and it is these business partners that will bridge the bank to reach new partners and customers. In addition, through the relationships of the leaders with State officials at all levels, it will be convenient for the bank when they introduce customers, creating opportunities to meet potential partners and customers, thereby helping to operate. Based on the relationship of bank leaders with friends, colleagues, business partners and government officials at all levels, they will refer customers to the bank. Promoting banks in this way contributes to reducing information costs, transaction search costs, increasing efficiency of capital use (lending) and reducing information asymmetry. On the other hand, when the relationship between the leader and colleagues is good, the management ability of the leader effectively will promote the morale and capacity of the employees. This creates conditions for the quality of products and services to increase, increasing customer satisfaction. This is a premise to increase the ability of

loyal customers and these people will refer customers to the bank. As a result, the bank increases its chances of reaching potential customers and facilitates better use of capital (lending) (Nhung, 2021).

Banking Behavior on the basis of Age Group as Social Capital

Economic approach makes numerous predictions that are borne out by the data. First, lifecycle affects predictions that social capital rises and then declines with age, just like other forms of capital (Glaeser, 2000). Age determines the loyalty that a customer shows. It is reported that the older the customer, the greater the intention to remain with their bank for a longer time (Belás et al., 2015). Older customers do not change banks as easily because they believe that their banks provide them the best possible service and also give them special treatment. Older customers are more likely to see the perceived value in a banks' effort to recover services than are younger customers (Belás et al., 2015). It is social capital on the bank's part. Social capital in form of goodwill has manifested here. It can be said that "social capital is the goodwill available to individuals and groups (Bizzi, 2015). This effect of social capital is seen in behavior.

Although authors seem to disagree significantly on the theoretical conceptualization of social capital, when it comes to its empirical operationalization we find far more convergence groups (Bizzi, 2015). It can be observed and defined more empirically than through a theoretical conceptualization.

More focus should be provided to younger customers since they are more likely to change banks. Younger customers are less loyal and less satisfied with the services they get from their banks than are older customers (Belás et al., 2015).

Young people are more perceptive of new and advantageous offers compared to old

people. What old people may not bat an eye to, young people may see an opportunity in it. So they are more likely to switch banks.

Banking Behavior on the basis of Gender as Social Capital

Gender can be a key issue to define social capital in case of banking behavior. Some articles also aim to describe how gender affects banking behavior; both on the customers' side and on the banking side. It is suggested that women are more likely to remain loyal to their bank when compared to men, which can be attributed to the fact that men are more willing to take risks than are women, and socially, men are expected to behave in this way, in agreement with the social role theory (Belás et al., 2015). Hence, on the customers' side, women tend to stick to their banks more than men. Women tend to be more considerate of the several interaction services offered by banks rather than men. For example, females can be expected to value and derive emotional satisfaction from membership in small social networks comprising close personal relationships constructed from strong social ties (Machalek & Martin, 2015). They tend to generate more satisfaction than men do when a bank provides good customer service. This prevents women from deviating to other banks. Men, on the other hand tend to take more risks than women. Males would be expected to benefit more from membership in larger social networks constructed from weak ties that would constitute hunting groups, political alliances, and fighting parties (Machalek & Martin, 2015). Hence, this is how banking behavior can differ according to gender. Social capital can be viewed as an individual characteristic (the set of social resources that aid in the accumulation of human capital) (Glaeser, 2000). Particularly in the area of lifelong learning, social capital is seen not simply as a means of reproducing human capital, but also of nurturing inclusive Societies which are they essential to market growth (Riddel et al., 2001). One of the striking features of social capital is

that it tends to be presented as beneficial for all, with little attention paid to the intervening variables of gender, social class and disability. One of the striking features of social capital is that it tends to be presented as beneficial for all, with little attention paid to the intervening variables of gender, social class and disability.

Social capital on the basis of Education as Social Capital

Education of individual itself is not social capital but definitely it is the true base to develop and evaluate the social capital. No matter what the context, a question that inevitably comes up when evaluating person is if that person is educated. In this regard does the education substantially affect or not the decisions taken on home loan? In another word is education social capital or not? Therefore, it is clear that education needs to be related sufficiently with housing loan. It is suggested that individuals participate in education and training not primarily for its own sake, but because of its personal economic benefits (Riddel et al., 2001). On the other perspective, a specific definition of the term is hard to come by, but social capital means the actual and potential resources embedded within, available through, and derived from networks of relationships possessed by an individual or social unit, and they view social capital as a relational resource (Young, 2012). The question arises whether the education possessed by a person falls under the category of social capital or not. There are some theories that aim to clarify the relation between education and social capital. Individuals and communities with high levels of human capital (education and training) are typically also characterized by high levels of social capital in its various forms (Tokas, 2016). Education can be found embedded in different social networks and relationships and has been seen to have vast impacts on several social phenomena (Schuller & Theisens, 2010).

Banking Behavior on the basis of Nature of Relationship

We claim that the social capital is social relation. Social capital can be defined as “friends, colleagues, and more general contacts through whom you receive opportunities to use your financial and human capital” (Bizzi, 2015). A common differentiation of types of social capital is into three basic forms: Bonding social capital, which refers to relations within or between relatively homogenous groups; bridging social capital, which refers to relationships within or between relatively homogenous groups; and linking social capital, which refers to relationships between people or groups at different hierarchical levels (Schuller & Theisens, 2010). There is a kind of social relation between relatively homogenous groups. It is manifested in behavior and also in banking. And ultimately in relationships between people or groups at different hierarchical levels definitely there is another kind of behavior. They have their own type of role to create social capital; but in economy rather than in sociology. But the clear meaning of social capital has not been provided. The subject matter of whether the social relation captures it or not is still a subject to discuss.

Yet, although the core argument of social capital is clear and scholars seem to have converging opinions about it, what exactly does the concept of social capital capture? Does it reflect the social relations, their value, or the resources? Scholars have not reached agreement on that, and several conceptualizations have been used to characterize social capital (Bizzi, 2015). These all subject matters of social capital and the social relations associated with it function objectively. These all phenomena affect our daily life. Thus, networks that are strong on bonding but weak on bridging may be powerful creators of knowledge within quite well-defined frameworks, such as an established research group with high levels of commonality in the members’ approach

to research and understanding of the field (Schuller & Theisens, 2010). Moreover, relations by bonding or bridging can be defined from different angles.

However, a community that also includes bridging social capital may be more open to an infusion of new ideas and to the intellectual challenges that come from exposure to different approaches, and benefit from this in the longer term. In course of this, the power of bridging relationship is more than that of the relation by bonding especially for creating knowledge in their business. As we are concerned with social capital in businesses, the functions of social capital here is to develop trust. One crucial function of social capital is its deployment of trust (Schuller & Theisens, 2010). But how that trust develops is a relevant matter here. But how the trust is developed is also an important aspect here. Individuals in the social organization are bound together through various social benefits and obligations and, therefore, are committed to one another by norms of reciprocity and equity (Acquaah, 2008). The promotion of trust is possible when both parties share their ideas. Trust also promotes the sharing of ideas, because it diminishes fear of intellectual theft (Schuller & Theisens, 2010). But again this type of conversational environment is more possible in bridging relation than in bonding relations.

This relationship exists even in a managerial level. A good relationship with related law-making authorities can be used to influence the making of laws and regulations to be in ones favor. Despite the liberalization and privatization of most financial institutions and the development of private finance and credit institutions, access to finance through arms-length transactions is still difficult, and developing net-working relationships with politicians and government bureaucrats places an entrepreneur or the manager of an SME in an advantageous position to obtain financial (Acquaah, 2008). Hence it can be speculated that bankers use their

relationship with government authorities to formulate housing loan related laws in their favors. If such a scenario exists, then it is clearly a case where social capital affects housing loan.

Banking Behavior on the basis of Health as Social Capital

We adopted an operational definition, so that our focus was on people identified by services as having a learning difficulty. It was evident that the category of learning difficulties covered a very wide range of people, from those with little or no speech to those who had little cognitive impairment but experienced extreme social disadvantage. Primarily housing seems as shelter, it has also psychological effect on social status and benefit. In regards to health outcomes, the evidence suggests that when compared to renters, homeowners generally have lower rates of mortality, lower long-term illness rates, and better self-perceived and mental. Others have indicated that homeownership confers psychological benefits by reinforcing homeowners' sense of security, control, and mastery (Luginaah et al., 2010). Workers in the industrial towns of 19th century Britain, for example, experienced high rates of disease, such as tuberculosis, cholera, and typhus. Private ownership of housing can provide security in old age as housing assets are leveraged to generate income. More generally, housing assets provide economic and social stability as assets are accumulated, passed from one generation to the next and used as security in times of economic stress (Doling et al., 2013).

2.3 Methodological Review

This research is not based on only one theoretical approach. To some extent it is written with positivist approach and behaviorism but the main theory which the

total research tries to justify is the social effect on economic activity which is called embeddedness (Granovetter, 1985).

Here is a question that why the people take loan from banks. In this regards the research has a positivist approach that there are some similarities in the basic nature of human beings. The researcher is interpretive here that what they have thought differently. Normally, they take loan for the benefit of their lives and livelihoods. Humans are assumed to be self-interested, pleasure seeking, rational mammals. That is why the cause will have the same effect on everyone.

Behaviorism is the soul of positivists. They don't talk more about cognitivists. To positivists, the internal aspects of individual or the group don't matter. They are more interested in the conative behavior of the people. We can learn about people by observing their behavior, what we see in external reality. Society is an entity on its own and as such, society must have a field of study of its own. Exactly this philosophy has been implied in this study that the borrowers and their activities have been studied on the base of their external behavior. The researcher didn't devote himself to see a different aspect. Another aspect is on the sense of internal aspect. Moreover, their cognitive behavior is not the researcher's area of approach.

The researcher has tried to seek the laws that provide cause and effect relations to explain the effect of social capital in the process of getting housing loans. This is why the researcher here has tried to follow the law of cause and effect relation. It shows by the quantitative data centrally but they have been articulated by the qualitative data. 'Critics charge that Positivist Social Science (PSS) reduces people to numbers and that its concerns with abstract formulae are not relevant to the actual life of people (Neuman, 2000).' For this, the researcher has used qualitative data as per its need. Moreover, it has not been written that the positivist cannot use qualitative data.

For a positivist, the reality is out there. It can be understood only by the behavior of the people. While individual people may feel that they can act freely and can make any decision, positivists emphasize that operate on people to shape most if not all of their actions (Neuman, 2000). In the sense, the external factor has brought people in similarity and similar business of thinking. On the base of this, the researcher has come to understand that all borrowers borrow money from banks for the betterment of their lives. In course of saying this, the researcher may be absolutely deterministic. In this regard, the researcher is clear that all people have the same notion regarding objective of borrowing. One of the questions I have scheduled proved it. They all take loan for the uplifting of their lives.

Positivists study patterns and patterned behavior. Why is housing loan popular in Nepal? Why do some people get loan easily whereas some do not get housing loans as per their application? These are the questions that have led the researcher to think about social capital. The researcher can predict about every phenomenon by patterns and sharing. People take loans for betterment of their lives but some people do not get their wishes despite fulfilling all legal criteria. This is the pattern the researcher will aim to expand and explore. Both bank management and loanee can be analyzed by this pattern and sharing of outside force. One can deduce a lot from these patterns with a positivist approach. But initial data collection was directed on the effect of interest.

The researcher has assumed that people go to borrow from banks. All borrowers objectively take money; the objective is upliftment of their lives and there is money lending on the base of interest. When they pay their interests, there is always the effect of interest in their socio-economic life. In course of saying this, there are other realities and equally, commonalities as well. The fact that people deal with

banks and they take loans for the betterment of their lives was the notion that was taken from secondary sources of data. People go to banks for borrowing and they take loans for the upliftment of their socio-cultural condition and moreover, to take loans.

In the course of the study, especially the study of borrowers of banks, the researcher observed their living standards. But the observations are not guided or pre-conditioned by any theory or values. Even the empirical facts that came from the field exist apart from personal ideas or thought. In the sense, the research is considered to be value free. The researcher has observed the facts and phenomena using sense organs, eyesight and hearing. It is said that 'knowledge of observable reality obtained using our sense is superior to other knowledge (intuition, emotional feelings, etc.). It allows us to separate true from false ideas about social life (Neuman, 2000).

Positivists are not subjective but the subjectivities of different people are tried to be made objectively. Positivists assign a privileged status to empirical observation and assume that subjective understanding of the empirical world is shared. In course of the study, the researcher has conducted a kind of informal discussions and even in course of collecting data from the field, a kind of interaction was conducted. Factual knowledge is not based on just one person's observation and reasoning. It must be capable of being communicated and shared by others. In course of the study, the researcher made the interplay in an idea because people are rational and they have their own types of subjectivity. Subjectivity from the part of the researcher is not there and also subjectivity guided by any theory is not there but the subjectivities of knowledgeable person have been combined. Rational people who independently observe facts will agree on them. This is called inter subjectivity or shared subject acknowledgement of the fact. Being a positivist, the researcher has tried to accumulate the case of more households and some of the knowledgeable people as

key informants are there. Most people can reject other's ideas but cannot give the clear vision. Claims to knowledge can never be proven or fully justified, they can only be refused. Ideas of many more knowledge in form of key informants and the experiences of many more people in form of respondent was necessary. Evidence for a causal law requires more than piling up supporting facts. It involves looking for evidence that contradicts the causal law (Neuman, 2000).

The researcher has tried to be value free in course of the study to maintain a positivist approach. The researcher has conducted the research in an objective manner based on empirical evidence alone without the interference of moral or political values.

In mixed-method, the problem is that when qualitative data is quantified, it loses its flexibility and depth; qualitative codes are multi-dimensional (Bazeley, 2004) whereas quantitative codes are of a single dimension (Driscoll, 2007). As there are measurement limitations of qualitative data, quantified qualitative data is highly vulnerable to collinearity (Roberts, 2000).

2.4 Theoretical Framework

With regards to social capitalism and its economic aspects, many sociologists and their contributions have to be linked. Whether it is about social capitalism or about economic aspect of society, Karl Marx claims that production of commodity brings together different producers into a single group. He further adds that production instills in individuals a sense of consciousness; this consciousness turns into class consciousness and this in turn forms a type of relation. For example: the poor make relations with the poor; and the rich seek company of the rich.

Max Weber also expresses his views on social capital in his own unique way. He claims that economic aspects are not solely responsible for shaping economy. He claims religion; law and other similar contingents also play some role. Thus the concept of embeddedness holds its origin in the views of Max Weber; albeit that Max Weber has not talked directly about individual social capital and networking. Weber does portray different forms of relationship between social networking and economic activities, but the relationships he explains are institutional and not individual. For example: Economy and Capitalism got boosted because of the rise of Protestants.

It is argued that a fundamental weakness of current sociological theories is that it does not relate micro level interaction to macro level pattern in any convincing way (Granovetter, 2019). In our case, the matter of providing loan is a macro-level phenomenon and the aspects that banks evaluate in course of providing loan are micro-level factors. He claimed the linkage of two aspects has not been proved in any convincing way. Moreover, Granovetter (2019) argues that economic activities which are conducted under certain rules, regulations, policies and economic liquidity are embedded within social structures like aggregates of education, health, economic level, public relation etc. Embeddedness is an issue of economics and macro level activities are affected by social aspects.

Every activity, no matter how technical it may be, can never exist completely independent of social aspects. Therefore economic activities have social roots and repercussions and no economic activity can be explained in entirety without considering the social behavior of people. The same is the case in the process of procuring bank loans. Though at a glance, the act of getting loan from a bank may seem simple but many processes are involved.

From an economic point of view mainly three things are considered by any bank before granting loan. The first one is legal documents. The borrower must present legal documents proving validity of his claims. Then bank liquidity is considered; and finally the guidelines provided by different NRB issued policies are considered. This conveys the idea that social factors do not influence loan process.

Economy is deeply embedded in social relations in its business. Economic actions can never be understood without social behavior of individual. People knowingly unknowingly sometimes follow social norms which are constructed by social institutions like family, education, health etc. The trustee of organization towards individual is sometime produced by not only of his or her economic power but also by the economic property like education, health or public relation or family structure.

Although, people depend on social norms, culture, trust, and power to solve problems, the guidance this offer is often murky and complicated. Granovetter (1985) explores how problem solvers improvise to assemble pragmatic solutions from this multitude of principles. He draws throughout on arguments from psychology, social network studies, and long-term historical and political analysis and suggests ways to maneuver back and forth among these approaches. These are non-social aspects. A bank also considers several social aspects of any to-be-borrower before granting loan although these aspects may not be written down in the legal guidelines. The decisions regarding these aspects are taken according to what is widely believed in the society. Such aspects exist in a very large number and including them all in single research is impossible. So, for the sake of maintaining a specific route, this research will focus on four more important aspects: 1) Education of borrower, 2) History of profession, 3) Gender of borrower, 4) Age group of borrowers, 5) and the health status of borrower. Another fact is people categorize themselves as they interact to other. People tend to classify themselves and other in to various social categories, such as organizational

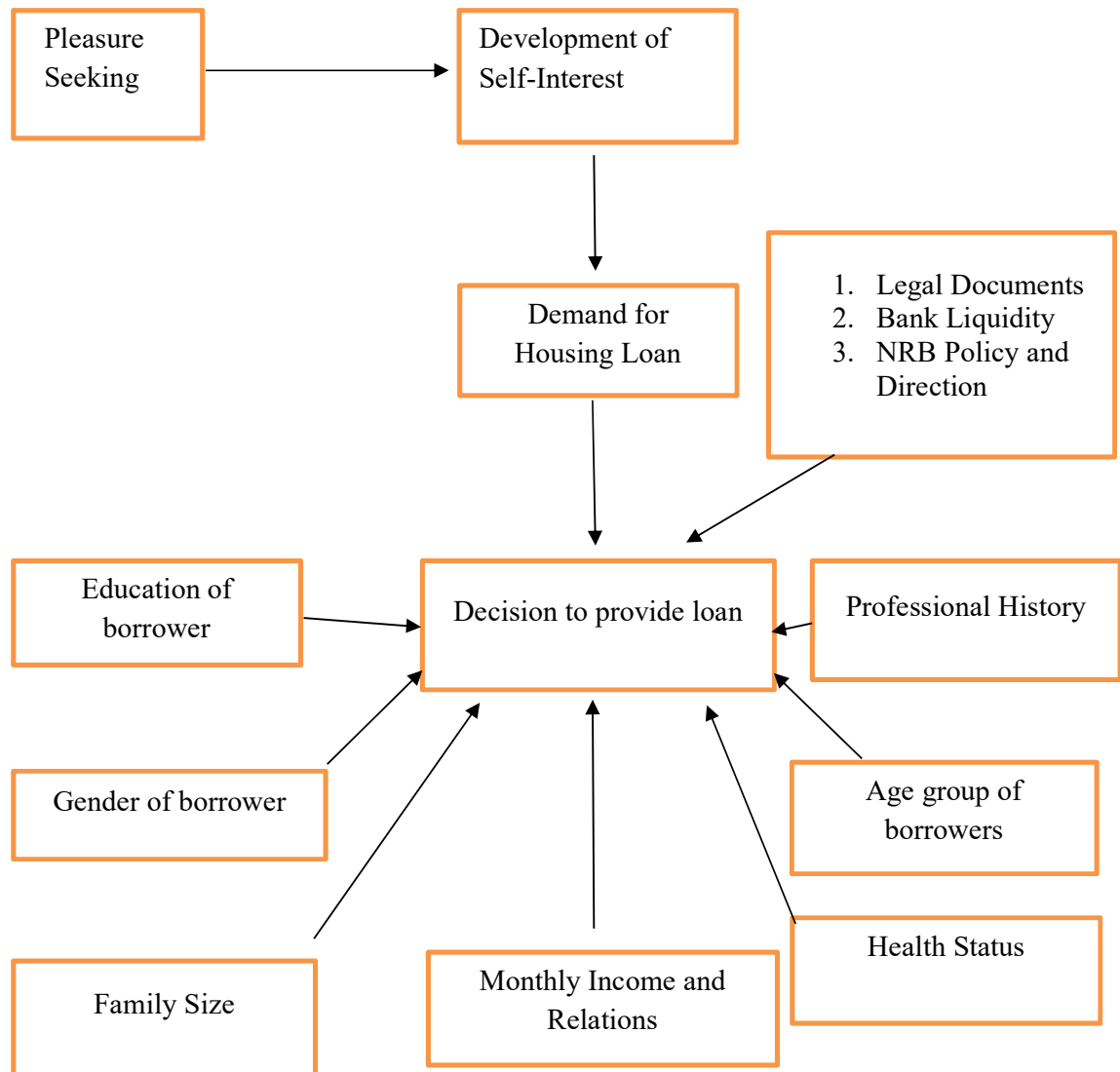
membership, religious affiliations, gender and age cohort (Ashforth & Mael, 1989). The manner in which a bank chooses to interact with any to-be-borrower depends on the aforementioned variables.

Social capital is something whose extensive study began rather late considering other things of far less importance that were studied much earlier. The higher the number of employees of a bank a person knows, the easier it will be for the person to do any business in the bank. This is an example how beneficial social capital can be.

Hence, personal relation with bank also affects loan procurement process. The variables mentioned above were: 1) Education of borrower, 2) History of profession, 3) Gender of borrower and 5) Age group of borrowers 6) health status of borrower. These variables in turn affect the personal relation a person holds with a bank. So to sum up the last two paragraphs, personal relations with bank affects loan and personal relation in turn are affected by education, profession, gender and age group of the borrowers. However the same factors also directly affect the process of loan procurement. So a complex relation exists between these social aspects and banking loan. It is called embeddedness in this case. In economics and economic sociology, embeddedness refers to the degree to which economic activity is constrained by non-economic institutions. In course of designing theoretical framework efforts have been made to observe the effect of non-economic institutions like education, age group, gender, health status using the concept of social embeddedness.

2.5 Conceptual Framework

There are driving factors behind the decision to take loan and the factors involved afterwards. This section illustrates the connection between the desire for housing loan and the end result of getting housing loan, along with all the factors that influence decisions of banks.



The reason why people take loans can be traced back to the very fundamentals of human beings: pleasure. Pleasure comes in different forms: physical, mental, spiritual, so on and so forth. Pleasure seeking, in turn, leads to the notion of acting according to self-interest.

The rationality that exists in human beings leads them to question their thoughts and a choice is provided. The pending decision is influenced by numerous factors including culture, status, economy, etc. Finally, the demand to be provided loan is made to banks. Banks evaluate this demand on the basis of three factors: 1) Legal Documents, 2) Bank Liquidity and 3) NRB Policies and Directions. The

contents pertaining to these three factors are mainly economic and legal. The decision to provide loan is not, however, determined by just these three factors; there is another major issue embedded in the whole process and that major issue is social capital.

Education, profession, gender, age and personal relations in banks, issues which are forms of social capital, also influence the decision to provide loan.

2.6 Research Gap

There are some of the researches in national and international publications that have raised questions and provided explanations about the non-economic aspect that effect on the housing loan, but such explanations are not to be found in the context of Nepal.

When the borrowers are a less risky, they would usually be charged a low rate of interest and if the borrowers are more risky, the high interest rate would be charged on them. The technical aspects of housing loan approval appear to be superficial with the word risk defining the criteria. It becomes necessary to explore what comprise these risks.

The reason why loans are not given in such cases may be economically inclined, but we cannot say that they are sociologically independent. High interest rate, formal collateral in the form of land and house and high income of people to repay loans preferred by commercial banks, the economically weaker section and lower income group of people are not eligible to proceed for the loan. From the foregoing, it is clear that the existing financial system is unlikely to adequately serve the needs of low income households. The literature develops a link between housing loan and people who are economically weak. So once again, the sociological reasons why loans are not granted are not to be found.

The middle incomes groups suffer from the burden of debt. Therefore such groups are very much tested to get loan again. In this situation their social capital is the subject for research. Social capital is therefore composed of the specific set of interpersonal relationships which create value for individuals in organizations.

In case of Bangladesh, an instance is observed where housing loan uplifts social standard. The Grameen Bank of Bangladesh having started housing loan to the poor in 1984, has assisted in construction of 628,102 housing units. But no report speaks about their social capital. What this research speculates is that social capital might have played a role in such successes; and if it has the research will find out how social capital has contributed. The link between the two concepts of social capital and community needs to be emphasized.

How institutions and behavior are effected by the social relations is one of the questions of classic theories. Again lending behavior in Nepal has been studied only from an economic point of view. Lending behavior of bank generally depends on type of bank, the capital base, the deposit base, density of the deposit, interest rate, exchange rate, inflation, gross domestic product, investment portfolio, liquidity, monetary and fiscal phenomena, the credit guidelines issued from time to time by the regulatory authority and internal policies of the banks as well as other non-economic factors.

All these variables are solely economic and do not directly imply social phenomena. Hence, there is no direct mention of social capital and social phenomena.

Banking is a well-known economic institution and the notion of banking is well established all over the world. There are many researches that have been conducted analyzing different aspects of this institution. Many researchers have researched on the system of bank, banking, loan, demand of money and effect of

internal and external behaviors on banking and some of those researches have been included in the literature review. The ideal researches or theses for me are those which are not similar to some other but those which contain answers for questions that other researchers encounter during their own researches. There are some researches that mention the different factors that affect bank loan; but they only contain economic and technical causes without direct reference to social structures and phenomena. The research has further explained how the lending behavior of a bank is detrimental to its success. The main objective of the research is to test different determinants of banking.

But social capital also plays a great role in the entire process of banking. With reference to the reviewed literature, there are some researches which indirectly imply that social capital and bank loan are related. There are some researches that say that recessions and inflations are not caused only by economic reasons. They indicate that there may be social aspects as well.

The household's demand for money is significantly determined by the income of the households, credit, wealth, age, education, family size of the households and gender.

Educational awareness about loans and therefore education in general also seem to be affecting banking. In Nepal, around 94 percent of sources of fund is mobilized from public and corporate deposits and remaining 6 percent from the shareholders equity. An interpretation of these numbers is that a large majority of the Nepali society is not aware about the concept of investment. This lack of education can also be true in the case of loans. Many people may not be aware about bank loans in general but this possibility remains unstudied.

There are many sets of rules, especially in case of Nepal that have tried to regulate banking through regulatory bodies and there are also many questions asking whether legal documents related to banking are sufficient or not for getting the loan. This question has been raised by some of the research articles. There is an article that concludes that the law of supply and demand has seemingly failed to explain the process of loan provision. But interrelation and interdependence of the social aspect like social capital is not available in any research, thesis or an article. A research conducted in Ghana has justified the prospect of social capital in the promotion of any business by coming to the conclusion that social capital affects the laws governing certain businesses, hence indirectly affecting the business itself. A similar kind of study cannot be found in any business in Nepal, much less in banking. However, the laws and regulations enacted by these formal institutions are poorly implemented and enforced, so managers and entrepreneurs in Ghana rely on the connections and relationships they have developed with individuals both within and outside their social organizations who have power and authority to help them obtain the resources they require for the strategic organization of their business activities. A research about the role of social capital in economic activities is yet to be conducted. Understanding the vast importance banking holds in everyday life, banking has been chosen as the base on which to carry out this research.

In spite of all this, there is no research about the effect of social capital on the process of getting housing loan. Literature lacks content about the social aspect like social and cultural impact on the people who visit bank for the purpose of taking loan. The effect of social capital over the bank loan is yet to be established. Recent free-market economic reforms have nurtured an economy that is relatively open, but real institutional change and business infra-structure development have been slow because

they have been constrained by cultural norms, social beliefs, and existing bureaucratic procedures and processes. Housing loan is basically an economic phenomenon. It is known that housing loan is orchestrated by legal and technical aspects but the aspects of housing loan affected by social capital are yet to be determined.

We have already categorized loans into two kinds: corporate loan and consumer loan. The type and purpose of loan is not the principal concern of the research and the effect of social capital on housing loan is the main interest. Consumer loan is also known as retailer loan and research aims to establish relation between retailer loan and social capital because a research gap has been observed. The research question is how does social capital make difference in housing loan? For this, the researcher succeeded to get related researches, Acts, policies and even other theses. It is important to understand what banking is first. Similarly, the researcher succeeded to get different articles and researches about banking from an evolutionary point of view. The trend and practice of banking with relation to social aspect were also sufficiently obtained. On the other side, the researcher obtained also the literature about banking and globalization because banking is also a form of globalization. The manner in which concerned authorities and experts perceive banking is also a matter to be given importance to. Therefore relevant statistics from concerned authorities were also obtained. The publications of some selected banks and NRB have been selected since NRB publishes its findings on a yearly basis which contains many things related to my research. The researcher also reviewed some articles, books and journal on the effect of gender and social networking in banking transaction procedures. It was then found that the subject of the influence of social capital on housing loan lacks publications, which was identified as the research gap for this research.

The literature presented in this chapter provided an adequate foundation on which to base this research.

CHAPTER III

RESEARCH METHODOLOGY

This chapter is an explanation of the processes involved in the research phase. It begins with description and relevant assertions regarding the study area and proceeds to elaboration of research design and necessary statistical methods.

3.1 Introduction of the Research Area

The study area for this research is banks in Kathmandu, which is the capital of Nepal and forms the core of the nation's most populous urban region. This valley lies in the center of the country with around 50 lakh people as its residents. These people are involved in service, industries and business; and the number involved in agriculture is quite low. The Population census of 2001 classes 41 percent of the total population in Kathmandu city as economically active and of the total households in the city, 44 percent were involved in agriculture and small-scale non-agriculture economic activities (Thapa et al., 2008). The population here is increasing at an alarming rate. The density here is growing. The per-capita income of Nepal is around 300 dollars and the living standard in average is middle. Most of these houses are in the legal possession of males. There is this new trend where houses are being registered in the name of women which is an increasing practice.

There are around 100 banks and financial institutions working in Kathmandu Valley. These banks have invested in housing, education, business, etc. There are 21 commercial banks as of 24 February 2023. Finance Companies are the 'C' class financial institutions in Nepal. Nepal Rastra Bank (NRB) regulates all the banks and financial institutions (BFIs) of Nepal. NRB has grouped the BFIs into four major categories. Until Mid-July 2022 [Ashad's end, 2079 BS], there are 17 'C' Class finance

companies in Nepal. Microfinance Companies are the 'D' class financial institutions in Nepal (NRB, 2023).

3.2 Rational of Selection of the Study

Many people in Nepal are drawn to having a house in some urban area. Most of these people are from outside Kathmandu valley. With regard to causes of migration to Kathmandu, the CENTRAL BUREAU OF STATISTICS (2004) study reported that, among internal (Nepalese) migrants to the city, decisions to migrate were stated to be due to factors such as family reasons (50%), job searching (18%), easier life style (14.2%), education/training (9.1%), natural disaster in source area (0.6%), reasons (0.3%) and other purposes (3.8%). External migrants, who are mainly concentrated in the city core area, are there mainly for business, skilled labour work, study and diplomatic mission. External migrants are much fewer in number than the internal migrants but their proportion has increased in the past decade because of the conflict in the country. Another most important reasons what drives them is the feeling of satisfaction one gets from having a place inside Kathmandu valley to call home. Migration of qualified and better-off people has made it the most competitive city in the country, and has helped in its prosperity (Thapa et al., 2008).

Similarly, the notion of building a house is, in itself, considered to be a symbol of the most glorious achievement known. However, urbanization is a dominant phenomenon in virtually all developing countries. It has been observed in Nepal from the 1970s onward, showing one of the highest rates in Asia and the Pacific. The number of urban centers in Nepal grew from 16 to 58 between the years 1971 and 2001 and the urban population increased from 0.4 million to 3.2 million, eight times increase in this thirty-year period (Thapa et al., 2008).

Building a house in Kathmandu valley is expensive when compared to other places in Nepal. Money aside, constructing a house in the valley also requires that people attain a certain degree of 'standard'. The act of erecting a house on an area of land is an expensive undertaking and people take loans to complement their effort. The rapidly growth population might cause the expensive construction in valley. In 2001, a large volume of the population (42%) living in the city was migrants, including external (foreign-born) population sharing 3.51% of the total population. Readjustment of the boundary of Kathmandu in different time periods also played a role in the city's population increase. The census of 1952/54 reported that the city had 148,762 inhabitants, that is, 62.43% of Nepal's total urban population. By 2001, the city's population had reached 834,837, but by then it was only 25.86% of Nepal's urban population (Thapa et al., 2008).

People rarely take loans to build a house in rural areas. The difference between the cost of building a house in Kathmandu valley and outside Kathmandu valley is very large. The financial requirements of building a house in Kathmandu necessitate taking of housing loan. The notion of going to banks for loan is more relevant in the valley and it therefore becomes necessary to discuss and analyze house construction and housing loan in Kathmandu valley.

3.3 Research Design

The philosophical basis of this research is ontology: ontology means the nature of reality and this research is about understanding the nature of reality in business. This has been approached through social capital of respondents. This refers to the knowledge they have regarding social capital in relation to housing loan. So, it has been surveyed on the basis of their understanding and the nature of reality of their understanding. Talking about social capital, it is understood that age, gender, etc.

constitute social capital; therefore, the questions in the questionnaire are presented in said format.

The philosophical dimension of this study is also focused on epistemological aspect as this study aim to understand how loanee and bank prioritize social capital while acquiring the loan. This means how do the one get the loan is the required answer for this research. The study also focuses on the perception of social capital prevalent in loanees. Considering these multidimensional factors required for the study, the researcher identified social capital factors through literature review and conducted survey among loanee. This was complemented by interviews with loanees and bank officials to understand the role of social capital in getting loan.

From an epistemological perspective, this research has a positivist paradigm because the facts have been presented as they are without bias. But there is an interpretivist part as the researcher is also interested about the reasons and causes behind the respondents' state of mind. There is use of qualitative data to enhance and verify quantitative data and hence, this research follows post-positivist approach.

This research follows post-modernist approach as mixed methodology has been used: qualitative and quantitate data have been triangulated. The mixed methodology is valuable because limitations of one type of data are balanced by the strengths of another data. Similarly, on the other side, quantitative data saves the information from being unnecessarily abstract and gives the foundation to collect qualitative data. It makes research more technical and valuable.

The research analyzes the association of social capital with loan-gaining behavior. The study examines the actual circumstances of borrowers and the social conditions that prompt them to seek financial assistance from banks. Although the

research employs an analytical approach, it describes the borrowers' situation in detail.

This research has a multi-faceted approach, including exploration, description, and analysis. In accordance with the first objective, the factors that constitute social capital in the context of Nepal were explored and described through review and interviews; this research is exploratory and descriptive.

Likewise, the second objective was to examine the role of social capital in housing loan process. To that end, p-test was carried out between dependent and independent variables and the results were compared with interview responses; therefore, this research is also analytical.

The third objective comprised of explaining the socio-cultural background of loanee and how the social status of each applicant affected their chances of getting loan. In this sense, this research is analytical and exploratory.

Among these, reports from the past 10 years on banks' investments in housing loans were chosen to assess the situation and social status of money borrowers in Nepal and analyze social relations' impact. The data collected from the fieldwork was used to support and enhance the data analysis from the reports.

Regarding the research method, it was essential to identify the nature and characteristics of the research. Therefore, a mixed-method approach was adopted to generate outcomes. The quantitative method was used to collect and analyze data, but qualitative data was not ruled out if necessary.

It has been realized that qualitative data could play a pivotal role in quantitative analysis, which is why it can support generalizing the findings of quantitative form.

Collecting qualitative data differs from quantitative data because there are no specific instruments. Instead, the researcher becomes the instrument and uses tools such as interviews to gather information. The researcher must apply specific skills when conducting interviews. These skills include not only listening and talking but also taking notes on the statements made by the interviewee. It is very crucial to depict the reality of the condition. That is why the researcher first aimed to develop cordial and friendly relations with the respondents. These ideas and pre-exercises will be necessary to introduce the possibility of a subjective interpretation of the phenomenon being studied and create a potential bias.

The study examined how social networking affected bank loans, considering factors such as the borrower's education, relationship with the bank, job experience, gender, age group, and health. Both qualitative and quantitative data were analyzed to address these complex issues. The quantitative data was graded on a scale to measure the variables. For example, the education level of borrowers was classified as highly educated, educated, normally educated, or uneducated. The type of response varied depending on the question, with some requiring numerical answers and others needing word-based answers.

The mixed method is valuable because qualitative data can rationally explain quantitative data. Similarly, on the other side, quantitative data saves the information from being unnecessarily abstract and gives the foundation to collect qualitative data. It makes the research more technical and valuable, but the problem will be how much data we should take from the field. In this dilemma, qualitative data will help to reduce the quantitative data.

Table 3.1*Methodology*

Research Approach	Knowledge Claim	Strategy of Inquiry	Method
Mixed Method	Pragmatic Assumptions	Mixed Methods Design	Close-ended measures open-ended observation

The meaning of using qualitative data is to reduce the size and express lots of things through the help of a small sample size.

It becomes important to clarify the philosophical position before departing into research phase. There are two paradigms in this research: ontology and epistemology. The dissertation is epistemological because it has tried to seek the perception of social capital. In other words, the research has tried to explore how respondents perceive social capital and the effects of social capital on banking behavior. Ontology means the nature of reality; the definitions of and subsequent explanations on social capital have been provided in the early sections of this dissertation, namely the introduction and review sections. The concern this research aims to address is not the definitions of social capital, but how social capital is perceived. In that regard, the research is more epistemological than ontological.

The questions asked in the questionnaire and interview had two-pronged objectives: the first one was to find out the state of aspects that have been considered as representations of social capital (age, gender, education, family size, professional history and health status); the second objective was to find out the methods by which information pertaining to banking and housing loan were obtained. In other words, the first objective was concerned with obtaining answers of ontological value and the

second objective was concerned with obtaining epistemological information regarding the research.

To quantify the qualitative data, the researcher numbered and classified the narrative responses provided by the respondents. This method is commonly used in mixed-method research. The use of quantitative data is necessary to provide technical justification for claims. In contrast, qualitative data is essential for reducing sample size and capturing observed facts that cannot be expressed through numerical data.

The researcher acknowledges the limitations of generalizing qualitative data and cautions against forcefully making such generalizations, as this can lead to artificial and biased results. Therefore, a natural combination of both qualitative and quantitative data is necessary. The study has employed quantitative data to explain how social capital affects the time of the loan, the volume of the loan, and interest rates. However, qualitative data was also utilized to provide a more comprehensive understanding of these factors.

The researcher's main task was to examine the relationship between social capital and the duration, amount, and interest rate of loans since these variables were assumed to be influenced by social capital. As a result, loan duration, loan volume, and interest rate were considered dependent variables in this study. Despite this, the relationship between dependent and independent variables was to be shown. Regarding the interrelationship between dependent and independent variables, definite secondary data and other literatures were used as felt necessary.

3.4 Universe and Sampling

There are 133 banks and financial institutions in Kathmandu and each of these institutions has its own numerous branches scattered throughout the valley. As of mid-July 2021, the total number of BFIs has shrunk to 133 comprising of

27 commercial banks, 18 development banks, 17 finance companies, 70 Micro Finance Institutions (MFI) and 1 Infrastructure Development Bank (IDB). Likewise, 19 life insurance companies (LIC), 20 Nonlife Insurance Companies (NIC), 2 Reinsurance Company (RC) and several non-bank financial institutions such as Employee's Provident Fund (EPF), Citizen Investment Trust (CIT), Social Security Fund (SSF), HIDCL and a postal saving bank are also in operation (NRB, 2023). In spite of the existence of government financial organizations such as Employee's Provident Fund (EPF), Citizen Investment Trust (CIT) and Social Security Fund (SSF) that provides maximum housing loan, the research was not carried with these organizations as bases because these organizations provide loans only to government employees or to non-government employees with a stable job. The only institutions that invested in retailer housing loan and considered housing loan as high priority were commercial banks, development banks and finance companies; these three types were selected for research. The proportion of aggregate annual loanee counts of these 3 kinds of financial institutions was taken as basis for determining specific number of each kind of financial institution. After making necessary calculations and rounding off the thus obtained numbers to nearest whole number ratio, the configuration obtained was: 6 commercial banks, 3 development banks and 2 finance companies.

The population was further narrowed down by selecting those banks that have also made additional housing loan provisions regarding age, family size, salary and gender; which are the social capital components under study in this research. These selected 11 financial institutions have the most social capital provisions in their respective category. As per the bank information we have got approximately 700 people took home loan in previous annual year.

Table 3.2*Banks with their corresponding annual loanee count*

S. N	Bank	Type of Bank	No. of loanees
1.	NIC Asia	Commercial	72
2.	Everest Bank	Commercial	59
3.	NIMB	Commercial	61
4.	Prabhu Bank	Commercial	42
5.	Himalayan Bank	Commercial	42
6.	SBI Bank	Commercial	75
7.	Machhapuchhre Bank	Development	137
8.	Jyoti Bikash Bank	Development	103
9.	Garima Bikash Bank	Development	45
10.	Progressive Finance	Finance company	36
11.	Manjushree Finance	Finance Company	28
Total			700

Source: Field Survey 2022

3.4.1 Sampling Size Calculation

This study employs a cross-sectional research design, which involves collecting data from a large population simultaneously. Cochran's formula is a valuable tool for researchers conducting surveys and cross-sectional studies (Kim & Seo, 2013). This formula helps determine the ideal sample size needed to accurately estimate the prevalence of a specific characteristic or condition within the population under investigation. It's particularly useful when the outcome of interest can be categorized as either present or absent (binary variable). This method is advantageous

as it allows for the determination of various sample sizes based on the desired confidence level and the variability of the variables considered in the research relative to the population. A confidence level of 95% is deemed appropriate for social sciences, indicating that if the sampling were repeated, 95% of the time the results would fall within a specific margin of error of the true population parameter. Therefore, the sample size selected for this research aims to reflect the population of loanees across diverse demographics such as age, gender, family size, professional history, health status and education levels.

From Cochran's Formula,

$n = Z^2 * PQ / e^2$ where Z= value of normal score @95% confidence level in Z-table; P=Probability of occurrence=0.5; Q=1-P; e= Precision error=5%=0.05;
So, $n = 3.8416 * (0.5 * 0.5) / 0.0025 \sim 385$

Putting values in Cochran's formula, at 95% confidence level and 50% level of prevalence rate (unbiased estimator as previous literature had not explicitly presented it) and 5% tolerance level the value of n (estimated sample) is found to be 385. As my population universe is approximately 700 (i.e. number of home loan approved during a year as per bank record). Since 385 is more than 5% of the population size, it was readjusted using following finite sample size adjustment formula $\frac{n \times N}{n + N - 1} = 385 * 700 / (385 + 699) \sim 249$. Cochran (1963) developed an equation to find the sample size for the large population proportion. Estimated proportion of an attribute that is present in the population and q is 1- p. If the population is small then the sample size can be reduced slightly. The corresponding sampling table is as shown below where the ratio of sample size from individual bank to total sample size i.e. 249

is the same as the ratio of population size of the respective individual bank to the total population size i.e. 700:

Table 3.3

No. of sample loanees taken from each bank

S. N	Bank	No. of sample loanees
1.	NIC Asia	26
2.	Everest Bank	21
3.	NIMB	22
4.	Prabhu Bank	15
5.	Himalayan Bank	15
6.	SBI Bank	27
7.	Machhapuchhre Bank	49
8.	Jyoti Bikash Bank	37
9.	Garima Bikash Bank	16
10.	Progressive Finance	13
11.	Manjushree Finance	10
Total		251

Source: Field Survey 2022

Sampling Strategy for Qualitative and Quantitative Inquiry: The differences in viewpoints among individual respondents can be attributed to their unique value systems. Each person has beliefs, attitudes, and principles that influence their perspective. Despite these differences, there may also be similarities among individuals, as they may share everyday experiences or cultural backgrounds that shape their views. Respondents of this research were mainly those who borrowed money from the bank, bank officials, and some concerned people.

As previously stated, this study is divided into two levels. The first level involves examining organizations' policy-level documents, plans, and programs. Based on this information, evaluative research is designed using methodological approach. First, qualitative inquiry for primary data and key informants' interviews were conducted and a sample frame was developed, assuming the sample size for qualitative inquiries. The qualitative interviews were done among 25 people selected from the bankers and creditors who were assumed to have first-hand knowledge about the effects of social capital for a housing loan with interview questions structured loosely.

Qualitative research focuses on in-depth analysis of small samples to explore and understand individuals' or groups' subjective experiences, perspectives, and meanings. The respondents' intellectual tendencies and academic backgrounds are not defining characteristics of qualitative research, and larger sample sizes may also be used depending on the research question, theoretical framework, and methodology employed. The people selected for interviews were money borrowers, lenders, and experts. Even among the borrowers, samples were from different professional grounds.

To obtain an accurate outcome, it is essential to critically examine the borrowers and their surroundings by considering any criticism of the sample selection and analysis. This approach provided realistic and authentic situation for the study. The researcher could use the knowledge and experience of creditors to gain insights and determine the sample size for the quantitative study. In-depth studies along with critical informants helped to make informed decisions about participant selection. Qualitative data collection continued until saturation was reached. This approach ensured that the data collected was comprehensive and supported the research

objectives. In conclusion, this approach was an effective way to proceed with the research study.

As far as the interviewees are concerned, they were mainly bankers working in the loan section and people responsible for policy formulation. It gave descriptive and exploratory information about the social networking system between banks and their customers. It also provided perspective towards social networking system.

Research questions can guide the research to collect secondary data first, and these questions help to know the types of data must be collected. It provides necessary ideas to determine sample size for data collection. All these matters were studied first to obtain better guidelines to select samples for critical informants and respondents.

Contents ; A) Subjective Questions B) Objective Questions

In course of data collection method and their technique, the researcher speculated that primary and secondary data were interlinked to each other. Secondary data obtained from reports, artifacts and other documents gave idea about sampling of key informant respondents. Similarly key informants provided suggestions when selecting respondents.

The main job of researcher was to observe the impact of social capital of people, which has been revealed by quantitative data. The subject of inquiry was the relation between social capital and banking. The researcher used correlation and regression analysis was run to find out the significant relation between social networking and loan gaining capacity.

Two kinds of people were observed: 1) people who got loan and 2) people who did not get loan. For the individual units who were unable to borrow from banks, this research would use probability sampling techniques. Normally, it is speculated there might be different outputs and results in cause and effect relation if the intervening variables are different. There is also other reason to select the Kathmandu valley as Kathmandu is the place where people from different parts of the country are found to reside.

In addition to this, an important matter is that the researcher considered people of different occupations including businessmen, service holder, entrepreneur, etc. Best efforts were made to have representation of all genders, caste and professions. There is no doubt that this research is empirical research and field work was needed to collect data. Empiricism is a doctrine founded by the famous economist Milton Friedman who started and applied scientific methods to social problems. According to him, all knowledge comes from experience. This favors the inductive approach where knowledge starts from the experience through the collection of data.

Units of Analysis: The researcher selected individuals as the unit of analysis in line with the title and objective of the thesis. By adopting this approach, the researcher investigated the impact of social capital on individuals' ability to obtain a loan, considering various variables such as education, relation to the bank, gender, age group, health status, and period of the profession.

The researcher's decision to use individual as the unit of analysis was based on the research question and theoretical framework. By focusing on individuals, the researcher gained a deeper understanding of the impact of social capital on their ability to obtain a loan and drew meaningful conclusions about the relationship between these variables. This approach allowed for a more detailed analysis of the

specific factors that influence loan-gaining behavior and the role of social capital in this process.

3.5 Nature and Source of Data

Secondary data has been complemented by primary data collected during the research process. These documents helped provide both qualitative and quantitative information. Information was collected from hardcopies and electronic copies from selected banks, government, non-government agencies, NRB, etc.

Documents of some selected banks and Nepal Rastra Bank were selected for evaluation. NRB's own evaluation reports, independent evaluation reports, NRB progress reports, and different academic reports of NRB have developed different artifacts regarding other banks that provide housing loans. These have been studied and analyzed as secondary sources of information. After this, detailed information about plans and policies that helped to measure the impact of social capital was extracted from different artifacts developed by NRB, banks, and governmental and non-governmental agencies. Primary information sources were sought during the third phase of the research program. Referring to the primary sources of information, qualitative and quantitative inquiry were conducted followed by in-depth interviews and survey questionnaires.

3.6 Tools and Techniques of Data Collection

3.6.1 Interviewing (face to face)

Interviewees consisted of 25 individuals comprising banking officials and loanees. They were asked to comment on loan procedures, the list of exact questions has been attached to the annex section. The selection of both bank employees and

loanees helped generate views from both parties involved in loan process and it was easier to compare and contrast.

3.6.2 Open-ended questionnaire

A questionnaire consisting of 41 questions was distributed among 251 loanees as online form, which was subsequently analyzed using Microsoft Excel to obtain the exact counts.

3.7 Data Analysis

The law of cause and effect became the foundational assumption for this research. The researchers entered data into SPSS (Statistical Package for Social Sciences) version 20 and applied descriptive analysis and influential statistics for data analysis.

The qualitative and quantitative information and data were triangulated as comparisons between past and present studies from different sources of information like the reports of NRB, monetary policy, research, reports, preliminary survey reports and interviews, and discussions with relevant persons. A critical inquiry was done with the concerned persons through in-depth interviews to discover more significant and realistic facts.

The questionnaire consists of unequal need-based intervals: for example, the income ranges were twenty five thousand to fifty thousand, fifty thousand to one lakh, one lakh to two lakhs and more than two lakhs. This range is observed practically in Nepal as assistant level jobs are given salary of range twenty five to fifty thousand, officers are paid fifty thousand to one lakh, NGO-INGO jobs pay one lakh to two lakhs and businessmen earn above two lakhs. Similarly the interest rate intervals are

2-5%, 5-10%, 10-15% and more than 15%. This is the practice seen in banks as was revealed from interviews.

3.8 Field Experience

Most issues regarding data collection arose while collecting primary data. It was found that the respondents tended to diverge a lot while answering questions. It was difficult to get straightforward answers and the researcher had to extract meaningful information from vague responses. The researcher also encountered respondents who were hesitant to provide information and they had to be coaxed to get what the researcher wanted. Similarly, bank employees were also hesitant to answer some questions due to legal ramifications. Often, the answers provided by banks were limited and the researcher had to work with limited information and had to extrapolate to a reasonable and accurate extent. The use of interviews as well as questionnaire made it easier to cross reference some responses and get more meaningful information.

Secondary data collection was relatively less difficult as people were not as hesitant here. Some documents and artifacts had to be searched for extensively because they were not available in large numbers. Other than this, they were easily procurable directly or from the internet as digital copies.

3.9 Hypothesis

It is important to note that hypotheses are not applicable in all research studies, as they are specific to quantitative research. In qualitative research, research questions are used to guide the study. However, in this study, the researcher has formulated testable hypotheses about the association between social capital and accessibility to bank loan through loan rate, time, and volume.

3.10 Variables Used as Predictors

- a) Education of Applicant
- b) Professional History of Applicant
- c) Occupation of Applicant
- d) Age Group
- e) Gender
- f) Health status of the applicant

The researcher used secondary data such as literature, reports, and artifacts to select critical informants for the field survey and integrated information and reports to make final selection of respondents.

Determinant of Measures or Parameters

Unless the variables in the theoretical framework have some specific values, we cannot test our hypothesis. This research has selected the grading unit as a measurement unit for data analysis.

Variables and Hypotheses

Literature review had a pivotal role in fixing the variables and hypothesis. Some definite factors with respect to housing loan have been found to be directly related to social capital. On this basis, other dependent and independent variables have been developed.

Study Variables

In this study, the study variables were time of loan, loan volume, interest rate. The researchers hypothesized that the applicant's education, history of entrepreneurship, occupation of applicant, age group of the applicant, gender of the

applicant, and health status of the applicant would influence the time of loan, volume of loan, and rate of interest separately.

Independent Variables

The independent variables used in identifying the determinants of time for loan, the volume of loan, and the rate of interest are as follows:

Education of applicant (EA): The borrower's education in the form of grading units has been considered one of the independent variables in this study. The applicant's education measures time for loan, loan volume, and interest rate. The lower the education ratio of the applicant, the chances of getting the loan.

Hypothesis H1: the applicant's education is significantly associated with time for loan, the loan volume and interest rate.

Professional History (PH): Professional history in the form of an annual year unit has been considered as one of the independent variables in this study. The ratio of the profession's history measures time for loan, loan volume and interest rate. The lower the history of the professional ratio, the lower the chances of getting the loan.

Hypothesis H2: Professional history is significantly associated with time for loan, loan volume and interest rate.

In this study, occupation of applicant was considered one of the independent variables. The occupation of applicant was measured using grading units and was used to measure the time for loan, loan volume, and interest rate.

Hypothesis H3: Occupation of applicant is significantly associated with the time for loan, loan volume and interest rate.

The age group of Applicant (AA): Age Group of the applicant in the form of grading unit has been considered one of the independent variables in this study. The age group of applicants measures time for loan, loan volume and interest rate. The lower the ratio of the age group of the borrower, the chances of getting the loan.

Hypothesis H4: age group of the borrower ratio has a significant and positive effect on the time for loan, loan volume and interest rate.

Gender of Applicant (GA): In this study, the gender of the borrower was considered one of the independent variables, measured as a categorical variable. The gender of the applicant was used to measure the time for the loan, loan volume, and interest rate.

Hypothesis H5: the gender of the borrower was significantly associated with the time for the loan, the loan volume, and the interest rate.

Health Status of Applicant (HA): Health Status of the Applicant in the form of grading unit has been considered one of the independent variables in this study. The Applicant's Health Status measures time for loan, loan volume and interest rate.

Hypothesis H6: The health status of the applicant was significantly associated with the time for the loan, the loan volume, and the interest rate.

3.11 Philosophical Position

This research follows positivist approach and the research is therefore value-free as it aims to check whether social capital affects banking behavior. The results were based mainly on quantitative data and were interpreted on the basis of qualitative data. Facts and figures were obtained from quantitative data; qualitative data was adopted to provide additional narrative to explain the results obtained from

questionnaire. Therefore, the research is mainly positivist but there are aspects of interpretivism to it. Therefore, this research can be described as post-positivist because there is emphasis on both objectivity and subjectivity.

This chapter is a description of all relevant methodology necessary for the research. There are aspects of both ontology and epistemology in the research and has a post-modernist approach. The research is comprised of three key sub-processes: exploration, description and analysis through the use of both qualitative and quantitative data where necessary.

CHAPTER IV

TRENDS AND PRACTICES OF SOCIAL CAPITAL IN HOUSING LOAN

In this chapter, efforts have been made to list several aspects of social capital involved in the process of housing loan, especially in retailer housing loan. Retailer housing loan constitutes a large portion of the investments made by banks. It has been found that the criteria set by banks during loan application are not entirely legal requirements and one of such non-legal criteria is social capital. This chapter therefore explores different aspects of social capital that are needed during loan application.

4.1 Investment on Housing

The real estate exposure of commercial banks, finance companies and development banks are found to be 32.4 %, 27.5 % and 24.1% respectively. The percentage portfolio out of total real estate portfolio of residential housing loan and real estate loan were 26.2% and 73.8% respectively(Nepal Rastra Bank, 2011).

It is seen that loan by banks and financial institutions comprise 61.44% of total market value of collateral. Real estate and housing sector is number one in the list of lending sectors of banks and financial institutions with a weighted rank value of 2.3. The main reason behind real estate loan being the sector with most investment is the lack of alternate investment opportunities. It is seen that customers of banks and financial institutions apply for home loan the most(Nepal Rastra Bank, 2011). Nepal Rastra Bank has specific guidelines for real estate loan which resulted in decrease in loan application and approval. It was remarked that short term bubble was created in real estate. It is seen that commercial banks accept up to 71.4% percent as collateral, development banks up to 65% and finance companies accept up to 59.5%. It is seen

that real estate comprises of 8.7% of the GDP, the percentage has remained constant throughout the decade(Nepal Rastra Bank, 2011).

In general, commercial banks welcome mortgage business because it links them directly with households and potentially their savings and other business, such as insurance(Doling et al., 2013). Further, and notwithstanding the subprime crisis, lending to households for home purchase is generally low risk because the importance of the home to the homeowners means that default is lower than for most other categories of credit(Doling et al., 2013).

Mostly, commercial banks are interested to invest in non-corporate sectors like housing, vehicle, education, etc. The percentage of investment in non-corporate sectors is very high in case of Nepal. Seeing the data of previous years, it has been seen in this way. 40% of the total investment had been allocated to non-corporate sectors in between 2001 and 2010. NRB directed and issued a direction to reduce the loan ratio in the non-corporate sectors but it was said that the portion of investment in non-corporate sectors was still high in a way.

Why the commercial banks, especially in case of Nepal, want to invest in non-corporate sectors is the main question here. In case of addressing this question different kinds of reality can be speculated on the base of the qualitative and the quantitative data.

The creditors of non-corporate loans are the people who normally are involved in governmental and non-governmental jobs. Some of them have small businesses or, in other words, have regular income source to pay the interest of the bank and are honest about paying their loans.

Borrowers do not have sufficient power to fight against the banks during disputes. These customers are not as legally equipped as the banks. These banks are also more secure because of the provision of collateral. Any property can be demanded as collateral and sometimes banks even use as collateral the houses borrowers live in. Because of the chance of their homes being seized should they find themselves unable to pay their loans, customers are very serious about paying their loans on time.

Looking at this scenario, the system of collateral seems to favor banks so much that it is sometimes unfair to customers. The mortgage for collateral is valued first in very low value. For example: banks give only near about 25%-50% somewhere money as loan valuing the collateral. If the borrower is unable to pay interest and principal, banks put the house on auction and try to pull over the property from the borrower. Because of the previous agreement in between lender and borrower in collateral, it is considered just to pull over the property. And that is why this arrangement it is one-way agreement in favor of the banks.

4.2 Practice of Social Capital

Banks claim that the process of selection of loan candidate involves only those aspects mentioned in financial laws and policies. In reality, however, they seek much more than just legal and financial documents. The conceptualization of social capital is multidimensional in each context, with common underlining constructs such as social networks, connections, and a sense of community engagement in all three areas of health, education, and employment. The term social capital has been conceptualized and applied in different fields with different meanings and impacts. However, to the best of our knowledge, there is no review that provides the scope of

these studies in relation to health, education, and employment, which have received a great deal of attention in the last two decades (Mishi et al., 2023). In other words, the functions of social capital are often used to describe its meaning.

These functions differ from author to author due to varying backgrounds, although most definitions have two fundamental elements. They are (a) features of social systems and (b) individuals whose activities are enabled by those structures (Mishi et al., 2023).

4.2.1 Age of Applicant and Tenure for Loan

The notion that age also determines whether a person is provided loan can be explained directly from loan policies of several functioning banks in Nepal.

On consulting with officials of a bank, it was found that it provides home loan for construction, purchase and repair. Not only this, loans are also provided for purchasing land for construction of houses. And for being granted such loans, the age of the applicant must not exceed 60 years (Home Loan - Everest Bank, 2022). However, the lower limit of the suitable ages range has not been specified.

In another bank, any Nepali individual of at least 21 Years of age having stable, steady and reliable source of income from job, rent, pension, remittance supported by the document is suitable for loan. Age of the applicant and the loan tenure collectively should not exceed seventy years. There is an indirect mention of the upper age limit here but no specific range. At the time of maturity of loan, the age of borrower should be minimum 25 years and preferably not more than 70 years (NIBL | Home Loan, 2022).

The policy of another specific bank regarding age is slightly different from the above two. Nepali citizens between the ages 21 to 65 years of age are eligible for housing loan (Home Loan - Everest Bank, 2022). In another government bank, minimum 20 years and maximum 65 years is suitable for home loan eligibility. In a popular public bank, age of applicant/co-applicant should be minimum 18 years at the time of loan origination and maximum age at the time of loan maturity can be 70 years (Nepal Bank | Home Loan, 2022). Likewise, loanee must be minimum 21 years and maximum 70 years at another bank (at the time of maturity of loan)(Home Loan, 2022)

In another commercial bank, the applicant must be at least 18 years and should not exceed 65 years at the time of maturity. Another banking provision states that the applicant must be at least 21 years of age (as per citizenship certificate) at the time of submission of loan application (Home Loan, 2022). The loan must be terminable before the applicant reaches the age of 70 years. It has also been seen that a specific has refrained from stating age limit but has specified maximum loan tenure.

4.2.2 Family and Relation of Applicants

The individual has a high level of structural support if he or she lives in a family with high economic (earnings) and cultural (education) resources, in which there are strong family ties (Mikiewicz, 2021).

Banks' policies regarding loan have directions regarding criteria that families must meet to get loan. The objects of such criteria differ from bank to bank. The manners in which they differ have been explained below. It is necessary to provide Family details from concerned local authority (Nepal Bank | Home Loan, 2022).

A particular commercial bank's loan policy describes income level criteria for loan eligibility and EMI should not be more than 60% of the total spendable income.

In loan processes, the size of family also matters. One specific government bank has policy of asking information about family members of loanee during loan process. Another public bank compulsorily demands marriage certification during loan processes. Similarly, there is special mention in another bank's loan policies that third-party collateral, other than the property of the borrower or borrowers' undivided family, will not be acceptable. Document required for loan application form : Copies of citizenship Relationship certificate (NIBL | Home Loan, 2022). It is also provisioned in some bank that loans can be approved in joint names.

4.2.3 Income and Profession of Applicants

Income inequality also has several indirect effects—it can lead to a decrease in trust among people and impede levels of community involvement (Alesina & La Ferrara, 2002). Income is a very important economic as well as social variable. But the role it plays while building social capital is often overlooked in researches and studies.

One commercial bank has set fixed policies regarding family income and interest. Monthly income of applicant EMI should not be more than 60% of disposable monthly income of the borrower along with that of the spouse/ other members of the family. In another commercial bank, individuals of middle and upper middle class income group with regular, adequate, steady and stable source of income must be observed(Nepal Bank | Home Loan, 2022).

Another commercial bank requires all individuals to have sufficient income to pay off loans. Only after confirming the fulfillment of these criteria, banks grant

loans. Similarly, they also mention that the salaried must be in some permanent form of service. If the borrower is self-employed, then his/her business must have 2 years of operational functionality. Equated Monthly Installment (EMI) should not exceed 50% of Monthly Gross Income after deducting other loan obligations. In case of ‘First Home Buyer’ and customers availing loan up to NPR 20 million, EMI should not exceed 60% of Monthly Gross Income after deducting other loan obligations (Mortgaged Loan | Home Loan in Nepal | Lowest Interest Rate for Home Loan | NIC ASIA Bank, 2022).

In another commercial bank, all salaried or self-employed Nepalese Citizen having a regular source of income are eligible for loan. In case of self-employed individuals, the business must have been in operation for a minimum of two years.

4.2.4 Property of the Applicant

In a particular commercial bank, third party collaterals are not accepted. The collateral policies of a particular commercial bank differ with the location of collateral property. The provision goes as follows: Collateral inside Kathmandu Valley: Maximum up to 40% of the Fair Market Value of the property based on Bank’s valuation report; Collateral outside Kathmandu Valley: Maximum up to 50% of the Fair Market Value of the property based on the Bank’s valuation report. In another bank, the specified percentage is irrespective of the location of the collateral property and it goes as follows: Maximum up to 40% to 70% of Fair Market Value of the Collateral security or purchase price whichever is lower (Nepal Bank | Home Loan, 2022).

4.2.5 Gender of the Applicant

The Constitution of Nepal recognizes the principle of equality and non-discrimination also on the basis of sex and provides that special measures can be taken to improve the status of disadvantaged groups (art.18). All Nepali citizens have the right to own property (art.25), however, Nepali women have restricted access to property and land. In fact, only the 19.7% of Nepali women are landowners and the portion of land they own is small (5%) despite agriculture constitutes the primary occupation for the 75% of Nepali women (Microfinance and Women's Empowerment in Nepal - Centro Di Ateneo per i Diritti Umani, 2025). It is reasonable to assume that gender of women plays some role in their being able to gather the means to have property of their own.

The following verses from the Manusmriti are revealing in terms of women's status: A girl, a young woman, or even an old woman should not do anything independently, even in house and similarly, the Muluki Ain 2020 had never been amended to address gender discriminatory provisions until September. This is indicative of the challenges women have to face when attempting to purchase property, which is also an indicator of independence and equality. Women are being included in all governmental, non-governmental and civil society organizations, including mandatory provision for inclusion of women in the Nepal army and in 2007, the Supreme Court of Nepal decided that the government should scrap all laws that discriminate against individuals based on sexual orientation or gender (Yadav, 2016). This means that an applicant should be subjected to similar conditions regardless of gender in the process of loan application. A particular commercial bank offers a concession in interest rates to women borrowers. In Nepal Bank Limited there is special provision for women. Women special savings account is only for women to

encourage their saving and banking habit. With this, financial decision making of today's women can be empowered. All the women above the age of 16 years are eligible to open this account (Nepal Bank | Home Loan, 2022).

Women around the world suffer multiple forms of discrimination: they constitute the 70% of the world's poor and face barriers to access education, health services, property, control of economic resources and are underrepresented in politics (Microfinance and Women's Empowerment in Nepal - Centro Di Ateneo per i Diritti Umani, 2025). This discrimination and bias towards women may also be prevalent in the process of housing loan application and this is an avenue worth exploring.

4.2.6 Health of the Applicant

Health is also factored in by banks during housing loan process. Some commercial banks directly mention health requirements for loan eligibility in their loan policies and fulfillment of these requirements must be shown along with other legal and financial documents. Other banks uphold health criteria by demanding health insurance.

4.2.7 Education of the Applicant

Housing loan process of banks also demand information about education in different ways. Some commercial banks do this through open ended question in their loan forms but do not require certification. Some banks however demand marksheet and certification which must be provided along with legal and financial documents. Himalaya Bank demands the highest education qualification of potential loanee.

This chapter is an exploration of all relevant aspects of social capital with emphasis on housing loan and banking: age, income, gender, health status, profession and family relations; and these aspects are considered by banks directly or indirectly during loan processes.

CHAPTER V

SOCIAL CAPITAL AMONG LOANEES OF BANK

This research was carried out on the findings from literature review that housing loan is not solely economic; housing loan is influenced by other factors as well. On the basis of this finding, non-economic aspects were explored and social capital was found to be one of those aspects. This chapter is a description of the different aspects of social capital involved in housing loan in the banks of Kathmandu revealed upon attempting to explore non-economic aspects influencing housing loan.

The basic variables used for analyzing banking behavior were age, gender, occupation, professional history, education and health status. Our findings contain, in entirety, graded information regarding each of the aforementioned variables. Because of the extensive nature of the questionnaire, the information obtained was much more than what is required to sufficiently analyze said basic variables. As such, these additional pieces of information have served to provide even better understanding of the banking behavior.

5.1 Gender and Age

It was found from literature review that gender and age comprise of two major factors of social capital with reference to banks in Kathmandu. Gender was classified into Male and Female; four age-groups were decided on. The status of gender and loan behavior was described.

Table 5.1*Respondents classified according to Gender and Age*

Characteristics	Response	
	Frequency	Percent
Gender		
Male	166	66.1
Female	85	33.9
Total	251	100
Age		
Less than/ equal to 29	46	18.3
30-44	104	41.4
45-59	88	35.1
60 and above	13	5.2
Total	251	100

Source: Field Survey 2022

An inclusive population of 251 has been selected for the purposes of this research and we shall consider that they represent the entire population of Kathmandu. In the first part of the table, it is observed that 66.1% individuals were male and 33.9% were female. This implies that men tend to apply for loan more than women do. In the second part about age, it is seen that 18.3% people are aged 29 or below; 41.4% are 30-44 years of age; 35.1% are 45-59 years of age; and 5.2% are 60 or over. Hence, people aged 30-44 apply the most whereas people aged 60 or more apply the least.

An employee from a development bank, specifically from the bank's loan department, said that most people who come to the bank for housing loan are from outside the valley. Adding to this, an employee from the loan department of another development bank said that borrowers tend to think that having a house in Kathmandu increases their social standing.

The fact that majority of borrowers is male justifies that females generally do not show much interest in loan procedures. An employee from the loan department of a development bank remarked that when some female member of a family goes through loan procedures and the application does not get approved, the second attempt is usually done by the male member replacing the female member.

But a female borrower encountered at a commercial bank in Baneshwore disagreed with what is illustrated above about her gender being less interested in loan procedures. She went on to further add that women tend to grasp banking methods and processes much faster than men do.

The question that can be raised from Table 5.1 why the most prominent age group among borrowers is 30-44. Most interviewees had similar views with regard to this occurrence. They said that the age group 30-44 is an energetic and enthusiastic period in life; and this is also the time when maturity starts to settle in. The researcher asked an interviewee the question why he had chosen to apply for loan at that particular age. He immediately answered that he had felt that he would not be a genuinely mature person until he had owned a house. He said, "Before, I only thought about eating tasty food and wearing good clothes. Having reached this age, I have realized I need to build a house because I am a 'Chhora'." The researcher talked to another borrower who was from Kathmandu. He was asked why he wanted to build

house by taking loan when he already had a house in Kathmandu. He answered that that house belonged to his father and he wanted to have a house of his own. A female doctor gave a similar answer when asked the same question.

5.2 Occupation

Another major factor of social capital was found to be occupation. Occupation was classified into four general categories: Government Service, Non-government service, Business and Overseas. The status of occupation and loan behavior was described.

Table 5.2

Respondents classified according to occupation

Occupation	Response	
	Frequency	Percentage
Government Service	70	27.9
Non-government service	73	29.1
Business	60	23.9
Overseas	48	19.1
Total	251	100.0

Source: Field Survey 2022

Table 5.2 shows the nature of occupation of borrowers. It is seen that 27.9% are in government services; 29.1% are in non-government services; 23.9% are involved in businesses; and 19.1% are overseas. It can be concluded that people in non-government services apply for loans the most.

Table 5.2 shows that housing loan applicants are mostly involved in non-government jobs. And immediately next to non-government job on the table of the types of jobs was government service. A department chief from a Naxal-based bank put forward his idea that the prospect of housing loan seemed more alluring to those who were in service of some sort. He also added that businessmen tended to more interested in business loans than in housing loan and also that people who worked overseas did not generally come to take housing loan. We asked some applicants with service-oriented jobs why they were applying for loan. They said that they felt confident they could periodically pay their interest and also their principal amount eventually because they had a regular and stable income source. An officer of the loan department of a bank remarked that people with service jobs were granted loan more easily; because stable and regular income was guarantee that interest would be paid.

5.3 Education

Another major factor of social capital was found to be education. Education was classified into three general categories: Undergraduate or lower, Graduate and Post-graduate. The status of education and loan behavior was described.

Table 5.3*Respondents classified according to education*

Education	Response	
	Frequency	Percentage
Under-graduate or lower	80	31.9
Graduate	123	49.0
Post-Graduate	48	19.1
Total	251	100.0

Source: Field Survey 2022

According to the quantitative data, people having bachelors' degree and people with post graduate degree apply for loan very rarely. It is also seen that most people who apply for loan have Masters' degree or its equivalent. An employee of a Sitapaila based bank however remarked that people of all kinds of education level and background come for housing loan. One bank officer said that the number of post graduates applying for loan is low because such people themselves are very few compared to other levels of education. In table 5.3, it is observed that 31.9% are undergraduates or lower; 49% are graduates; and 19.1% are post graduates. Hence, those that have graduate level of studies apply for loan the most whereas post-graduates apply the least.

5.4 Income

Income was found to be another major factor of social capital from literature review. Income was classified into four general categories. The status of income and loan behavior was described.

Table 5.4*Respondents classified according to income*

Income	Response	
	Frequency	Percent
25,000-50,000	119	47.4
50,000-100,000	61	24.3
100,000-200,000	44	17.5
Above 200,000	27	10.8
Total	251	100.0

Source: Field Survey 2022

In table 5.4, it has been observed that 47.4% of the borrowers earn 25000-50000; 24.3% earn 50000-1lakh; 17.5% earn 1 lakh-2lakh; and 10.8% earn more than 2 lakhs. Hence, people that earn 25000-50000 monthly are most in need of loans whereas those that earn more than 2 lakh need loans the least.

Most applicants have a monthly income of 25000-50000 per month, as was observed in interviews as well. Most applicants are job holders and the salary of an average job holder in Nepal is 25000-50000 per month. However, there were many applicants whose salary exceeded 50000 as well. It can be generalized that individuals who apply for housing loan have a salary that lies somewhere between 25000 and 100000 per month. An officer from a Jhamsikhel based bank remarked that only job holders entered fixed numbers as salary and that businessmen had fluctuating monthly income; and also, that businessmen entered their average monthly income.

5.5 Family Size

Another major factor of social capital was found to be family size. Family Size was classified into three general categories and the status of family size and loan behavior was described.

Table 5.5

Respondents classified according to family size

Family Size	Response	
	Frequency	Percent
2 to 4	95	37.8
More than 4	134	53.4
Single	22	8.8
Total	251	100.0

Source: Field Survey 2022

Table 5.5 shows that 37.8% of the borrowers have a family size of 2-4; 53.4% have more than 4 whereas 8.8% have not started one. It implies that as the family size increases, the chances that one will apply for loan will also increase.

We speculate that most families living in Kathmandu are nuclear in nature but our quantitative data has shown that people who apply for housing generally live in joint families. An employee of a Boudha-based bank remarked that they asked people their family size during family size not for any economic or legal reason but for loan security. Another loan officer from a development bank told us that people refrained from listing themselves as single during loan process because banks did not trust single people. A Baneshwore-based applicant spoke to us and said that he wanted to build a house in Kathmandu because he wanted to fulfil his parents' dream. Many

other applicants also confessed that the objective of their taking housing loan was to make their parents happy. Hence, individuals who have their parents, wife and children tend to be more inclined towards housing and ultimately housing loan. An interviewee remarked that the desire to build a house in Kathmandu arose in them only after starting their family.

5.6 Years in Current Profession

The number of years in current profession was found to be another major factor of social capital with reference to housing loan. The factor was classified into four categories. The status of number of years in current profession and loan behavior was described.

Table 5.6

Respondents classified according to years in current profession

Years in Current Profession	Response	
	Frequency	Percent
Less than 5 years	35	13.9
5 to 10 years	43	17.1
10 to 20 years	68	27.1
More than 20 years	105	41.8
Total	251	100.0

Source: Field Survey 2022

Table 5.6 shows the duration one has been in their profession. It shows that 13.9% of the borrowers have been in their current profession for less than 5 years; 17.1% have been for 5-10 years; 27.1% have been for 10-30 years; and 41.8% have

been for more than 20 years. Hence, those that have been in their profession for more than 20 years are more likely to apply for loan.

It was found that changes in current profession also determined loan behavior.

Respondents were asked if they had changed professions between loan applications.

The status of change in profession and loan behavior was described.

Table 5.7

Respondents when asked if they had changed professions

Change in Profession	Response	
	Frequency	Percent
Yes	10	4.0
No	241	96.0
Total	251	100.0

Source: Field Survey 2022

Table 5.7 shows if borrowers have changed their profession sometime close to the present. It is seen that 4% have whereas 96% have not.

The director of a commercial bank gave us his thoughts on why people with long service tenure were provided loan more easily. He said that such people had matured gratuity and that meant loan security for banks. He added that banks could assume without much risk that such applicants could return large amounts of money to bank. An interviewee claimed that he felt confident he could pay back his loan because his gratuity had matured. A department chief of a development bank remarked that even if they took mortgage from individual borrowers, stable jobs meant better loan security. He added that banks prioritized those people with matured gratuity during evaluation. Hence, job maturity is a very important factor in loan

applications and evaluations. Some banks even list it as basic loan requirement.

Although most banks in Nepal do not have such a provision written on paper, it has become something of an unwritten rule to have a matured job while applying for loan.

Table 5.8

Respondents when asked about cause for change in profession

Cause	Response	
	Frequency	Percent
No future in that profession	1	10
Inadequate salary	9	90
Total	10	100.0

Source: Field Survey 2022

Table 5.8 shows the reason why those borrowers that have changed their profession did so. Out of the 10 people, 10% did so because there was no future in their profession and the remaining 90% did it because of inadequate salary. Hence, from these two tables, it can be jointly concluded that people who have inadequate salaries generally apply for loans.

5.7 Housing Loan among Respondents

The particulars of housing loan behavior among loanees were described. The specifics included factors such as reason for taking housing loan, previous loans and reasons for previous loans. The status of specifics of loan behavior and loan behavior was described.

Table 5.9*Respondents classified according to the reason they took loan*

Reason for loan	Response	
	Frequency	Percent
To increase social status	137	54.6
Compulsion	114	45.4
Total	251	100.0

Source: Field Survey 2022

Table 5.9 clarifies what reason drove our borrowers to apply for loan. It is observed that 54.6% did so to uplift their social status whereas the remaining 45.4% did so to because they were financially compelled to. Here we observe that people generally apply for loans to increase their social status.

An interviewee claimed right before us that their only interest behind taking loan to build house was increasing their social status. And hence for similar reasons, an interviewee originally from Jhapa district claimed that he had to build a house in Kathmandu. Another interviewee claimed that having a house in Kathmandu was a point of social pride because Kathmandu was the capital of this nation. A female applicant from Gulmi district confessed that she was under pressure to build a house in Kathmandu because her siblings had already established themselves here as residents. Another respondent from Chitawan claimed that although they were in no compulsion to build a house in Kathmandu as Chitawan and Kathmandu are relatively close, they wanted to have a house there because the facilities for education and health were better there. Similarly, another interviewee claimed that if she built a house in Kathmandu, then she would be viewed as a successful person.

On the other side, a respondent from Salyan claimed that having a house in Kathmandu was a compulsion because his hometown was very far from the center. He claimed that he was going to build a house here so that his children could get better education. Another Kathmandu-native said to us that he needed to build a house there because there was not one, he could call his home. He also added that all his brothers had their own houses and hence he felt he had to have one as well.

A native from Dhading, when asked why he was building a house in Kathmandu, replied that having a house in Kathmandu meant an increased social dignity to him because he would be the first person from his hometown to actually own a house in the capital of the country. Another respondent from Dang told us that he was attempting to build a house in Kathmandu to fulfill the wishes of his children and he was applying for loan. Another respondent claimed that he was going to build a house in Kathmandu because he did not have a house. But he did not clarify as to if he did not have a house in the capital or if he did not have a house at all.

Table 5.10

Respondents classified according to their response to if they have taken loans other than housing loan

Have respondents taken other kinds of loan?	Response	
	Frequency	Percent
Yes	113	45.0
No	138	55.0
Total	251	100.0

Source: Field Survey 2022

In Table 5.10, it is seen that there is no concrete difference between the number of people who have taken different kinds of loan including housing loan and the number of people who have taken housing loan only.

Table 5.11

Respondents classified according to their reason for taking other forms of loan

Reason	Response	
	Frequency	Percent
Entrepreneurship	47	41.6
Education	53	46.9
Others	13	11.6
Total	113	100.0

Source: Field Survey 2022

In Table 5.11, we see distribution of those borrowers who have taken loans for other purposes. It is seen that 41.6 percent of those that have taken loan took it for starting their own businesses; 46.9% did so for education; and 11.5% did so for other purposes. Hence, it can be concluded that the other reason aside from housing for which people take loan is mainly education.

5.8 Banks and Loan Behavior

Banks in Nepal are broadly classified into Public and Government Banks with their own operating mechanisms with reference to housing loan. The status of different kinds of banks and loan behavior was described.

Table 5.12

Respondents classified according to the majority shareholder in their banks

Major shareholder	Response	
	Frequency	Percent
Public	164	65.3
Government	87	34.7
Total	251	100.0

Source: Field Survey 2022

Table 5.12 shows the major shareholder entity of the banks from which borrowers applied for loan. For 65.3%, the major shareholder was the public whereas for the remaining 34.7%, the major shareholder was the government.

One interviewee claimed that people from outside Kathmandu took loan for either of the two reasons: for building house and for education. He added that he had taken education loan before and was applying for an almost equal amount as housing loan. Another respondent claimed that a big chunk of his income was spent on paying interests for housing and education loans. Another respondent originally from Ramechhap stated that both she and her spouse were government workers and they had taken loan for education and housing. She specified that the entirety of her husband's salary was used on interests and other costs were covered from her salary.

Table 5.13

Respondents classified according to their reason for choosing a government bank for loan

Reason	Response	
	Frequency	Percent
Low interest rate	32	36.6
I have relation there	42	48.2
Short process	13	15.0
Total	87	100.0

Source: Field Survey 2022

Table 5.14

Respondents classified according their reason for choosing a public bank for loan

Reason	Response	
	Frequency	Percent
Low interest rate	20	12.2
I have relation there	84	51.3
Short process	60	36.6
Total	164	100.0

Source: Field Survey 2022

Table 5.13 and Table 5.14 ask for the reason why the borrowers chose the kind of bank that they chose. The first table asks for the reason why those borrowers that chose a government bank did so. It is seen that 36.8% of the borrowers from government bank chose to go to the government because of low interest rates; 48.3% did so because they had relations there; and 14.9% did so hoping for an easier application process. The next table answers a similar question with the same set of

responses; only this time the kind of bank is public. The order of responses is also same as that of government banks. The reason-percentages of borrowers from public banks are 12.2%, 51.2% and 36.6% respectively. Hence it can be concluded from both these tables that people generally choose banks to take loan from on the basis of their social relations.

A Baitadi-native said that the unity among his people, those that call themselves from 'Karnali pari' meaning from beyond river Karnali, is exemplary and that he had one such friend in government bank. And so, he chose a government based bank. Another interviewee from Lalitpur claimed that he had a nephew in some government bank and hence he chose that bank to take loan. An officer from a government with 20 plus years of service remarked that people chose government banks mainly because of the low interest rates in such banks. He claims that private banks initially showed low interest rates which then turned out to be false.

Another officer from a government bank claimed that their loan processes were short. The officer claimed that government banks followed laws and regulations during their processes; but an interviewee claimed that at times such laws and regulations were encroached in government banks and having a relative was a must to be approved for loan in such banks. She also added that her initial attempt had been a failure and she had been left disappointed and hopeless. But then she had gone about the loan application through some relative who worked in that government bank; and she had got approved rather easily. She also added that some legal hurdles, which had been very troublesome in her first attempt were dealt with without much effort in the second attempt. However, the director of a government bank denies such claims and says that the banks provided loan easily and without bias if applicants fulfilled the legal requirements of the bank.

People who applied at a public bank also say that they chose a public bank because they had relatives there. A respondent from Chabahil said that did not encounter much trouble during loan process because he had a cousin there. He said that his cousin managed all documents and files by herself. With another respondent the dialogue proceeded as follows:

Researcher: Did you come to apply for housing loan?

Respondent: Yes

Researcher: What about the process?

Respondent: I don't care about it.

Researcher: Then who took care of it?

Respondent: There was someone who was a friend of my brother. He took care of all technical details.

Similarly, another respondent said that he came to a public bank because one of his friends' sons worked in that public bank. He also added that the process was too complex for him to understand.

There were also some people who said they had chosen a public bank because a public bank had shorter process. An employee in a public also condoned with this. She said that people came to them because they delivered loan through a short and easy process. She also added that the loan process in her bank was transparent and just and if someone was not going to be approved, he would be notified immediately. Hence, it was found that people said they chose a public bank because they had

relations there; and the employees claimed that people came to them because the process was short and simple.

5.9 Education

The scenario in Nepal is that housing loan is taken mainly for two reasons: lack of housing and social status. The status of motive for housing loan and loan behavior was described.

Table 5.15

Respondents classified according to their reason for housing in urban area

Reason	Response	
	Frequency	Percent
Just uplift my social standard	148	59.0
Because i don't have a house	103	41.0
Total	251	100.0

Source: Field Survey 2022

Table 5.15 is borrowers' response as to the reason why they chose to take housing loan. It is seen that 59% did it to uplift their social standards whereas 41% did it because they did not have a house.

5.10 Amount of Loan

It was found from literature review that amount of loan is an essential aspect of social capital that is affected by factors of social capital. Amount of loan was classified into five categories. The status of amount of loan and loan behavior was described.

Table 5.16*Respondents classified according to amount of loan*

Amount	Response	
	Frequency	Percent
5-25 Lakhs	23	9.2
25-50 Lakhs	55	21.9
50-75 Lakhs	75	29.9
75-100 Lakhs	47	18.7
More than 100 Lakhs	51	20.3
Total	251	100.0

Source: Field Survey 2022

Table 5.16 is the borrowers' response as to the amount they applied for. 9.2% applied for 5-25 lakhs; 21.9% applied for 25-50 lakhs; 29.9% applied for 50-75 lakhs; 18.7% applied for 75-100 lakhs; and 20.3% applied for more than 100 lakhs. Hence the amount most people apply for as housing loan lies between the limits 50 lakh and 75 lakhs.

A respondent claimed that building a house with a sum under 25 lakhs was not possible and she also added that building a good house would require more than 50 lakhs. Another respondent was questioning if he would be able to pay back a large sum of money. And so, he would take an amount under 50 lakhs as loan. An employee claimed that the amount that banks granted to a borrower would be finalized only after thoroughly analyzing the borrower's capacity.

Researcher: Do you issue mostly 25 lakhs to 1 crore as loan?

Respondent: Yes, we issue that amount mostly.

Researcher: Is there any specific reason?

Respondent: At the time of their application, we observe parameters about applicants such as their occupation, their education, family status, etc.

Researcher: But loan is provided on the basis of mortgage, isn't it?

Respondent: Yes, ideally this is the case. But in reality, we need to analyze other things also for loan security. As I said before, occupation, education and family status are the more important ones.

Researcher: What about applications for under 25 lakhs?

Respondent: Yes, there are such applicants as well. But these applicants are just looking for additional money. Such people will have already started construction of their houses through some other resources.

Researcher: What about applicants that apply for more than a crore?

Respondent: Such people are very rare. There are also cases where the amount an applicant is granted is less than what they have applied for.

The researcher also met some respondents that told us taking a large amount of loan meant paying more interest; and so, they avoided taking large sums as loan.

5.11 Interest Rate

It was found from literature review that interest rate is another essential aspect of social capital that is affected by factors of social capital. Interest rate was classified into four categories. The status of interest rate and loan behavior was described.

Table 5.17*Respondents classified according to interest rate*

Interest rate	Response	
	Frequency	Percent
2-5%	45	17.9
5-10	22	8.8
10-15%	87	34.7
More than 15%	97	38.6
Total	251	100.0

Source: Field Survey 2022

Table 5.17 grades borrowers according to the interest on their loan. It was found that the interest rate was 2-5% for 17.9% of the borrowers; 5-10% for 8.8%; 10-15% for 34.7%; and more than 15% for 38.6% of the borrowers.

A respondent from Chabahil told us that the rate on his loan got reduced from 13% to 11% after talking with a bank employee. He added that in that second meeting he talked to the employee about his education level and family status in more detail, which landed him the reduced rate. A bank official however claimed that the rates were not for debate and were fixed for everyone.

Another respondent told us that the interest rate on his loan got reduced as his loan period was going on. At the time of this conversation, he was paying 10% interest; but he had been paying 11% a year before that. He said that the bank where he took loan from met with him and agreed to decrease the interest rate.

5.12 Type of Financial Institution

Loan behavior is greatly affected by type of financial institution as policies regarding housing loan differ. The status of type of financial institution and loan behavior was described.

Table 5.18

Respondents classified according to the type of financial institution chosen for taking loan

Type of financial institution	Response	
	Frequency	Percent
Commercial Bank	141	56.2
Development Bank	76	30.3
Financial Company	32	12.7
Co-operative	2	.8
Total	251	100.0

Source: Field Survey 2022

Table 5.18 is about the nature of bank from which borrowers applied for loan. The table tells us that 56.2% of the borrowers applied at commercial banks; 30.3% applied at development banks; 12.7% applied at finance companies; and 0.8% applied at cooperatives. Hence, it can be concluded that people generally go to commercial banks for housing loan.

A respondent claimed that finance companies and cooperatives go to any lengths to extract a sizable profit and hence he did not trust them. So, he chose to go to a commercial bank to take housing loan.

To the same respondent, the researcher further asked what had happened that made him distrust finance companies and cooperatives. He answered that there were instances where such companies had stolen money from consumers and had got away with it; but no commercial bank had ever done something similar. He even went on to add that he trusted commercial banks even more than development banks.

5.13 Time of Loan

It was found from literature review that time of loan is another essential aspect of social capital that is affected by factors of social capital. Time of loan was classified into three categories. The status of time of loan and loan behavior was described.

Table 5.19

Respondents classified according to time given to clear loan

Time given	Response	
	Frequency	Percent
upto10 years	163	64.9
10-15 years	36	14.3
15-20 years	52	20.7
Total	251	100.0

Source: Field Survey 2022

Table 5.19 is about the number of years borrowers got to clear their loans. It is seen that 64.9% had to do it in under 10 years; 14.3% in 10-15 years; and 20.7% had to do it in 15-20 years. This shows that banks generally demand that loan borrowers clear their loans before 10 years. Table 5.20 asks borrowers how they applied for

loan. 61% did so through referral from some acquaintance whereas 39% did so directly.

A respondent said to us, “I thought time period for clearing loan was an objective issue and was rigid. But I found out that it is not so as my initial 15 years to clear my loan was extended to 20 years.” Another respondent from Chitwan claimed that banks did not really care about loan duration as long as it was cleared. He further added that it was the borrowers themselves who wanted to pay back their loan as soon as possible. A Chabahil based respondent claimed that the bank he took loan from had wanted to know about his family size and members since the time duration for clearing loan was an important issue.

5.14 Means of Loan Application

Different aspects of loan behavior were described among which, means of application was one. It was found that loan applications were made from either of two means: through referral or directly.

Table 5.20

Respondents classified according to means of application

Means of application	Response	
	Frequency	Percent
Referral	153	61.0
Direct	98	39.0
Total	251	100.0

Source: Field Survey 2022

Table 5.21

Respondents classified according to the nature of relationship with referring party

Nature of relationship	Response	
	Frequency	Percent
Friends	108	70.5
Kinship	45	29.5
Total	153	100.0

Source: Field Survey 2022

Table 5.21 asks those borrowers who applied for loan through referrals about their relation with the referring party. It is seen that 70.6% of such borrowers were friends with the borrowing party and 29.4% were kin to the referring party. Hence, people mostly apply for loan on advice from friends.

5.15 Knowledge of Housing Loan

Attempts were made to establish background of loan behavior and to that end, respondents were enquired about their source of knowledge regarding housing loan. It was found that information about housing loan was obtained by two means: through referral or directly. The status of knowledge of housing loan and loan behavior was described.

Table 5.22*Respondents when asked if they had had prior knowledge regarding housing loan*

Prior knowledge regarding housing loan	Response	
	Frequency	Percent
Yes	173	68.9
No	78	31.1
Total	251	100.0

Source: Field Survey 2022

Table 5.23*Respondents classified according to source of knowledge regarding housing loan*

Source of Information	Response	
	Frequency	Percent
Referral	159	91.9
Direct	14	8.1
Total	173	100.0

Source: Field Survey 2022

It is seen that 68.9% of the borrowers did whereas 31.1% did not. Then those who knew were further asked how they knew. Here, 91.9% of the borrowers who had knowledge knew so through some referring third party whereas 8.1% sought out information by themselves directly from banks.

Regarding banks' policies regarding housing loan, some people say that they are aware; but a much larger number of people claim that they do not know such rules. One female respondent claimed that she did not follow banking news and policies; and that she applied for loan through one of her relatives who worked in the

banking sector. An employee claimed that banks always made sure that their loan applicants knew about banking plans and policies before they were granted loan.

A respondent told us that he obtained information about the policies regarding housing loan through social media. Another respondent, originally from Dang and currently applying for loan in a Dhumbarahi based bank, told us that every bit of information he had on housing loan was due to his relative who worked in that bank. On the other hand, an employee in a Chabahil based bank claimed that the help desks at bank branches were the main media through which people obtained information pertaining to bank policies and programs. Another employee from a different bank, who worked in a similar help desk, said that her job was far more diverse than just handing out information regarding housing loan. She added that help desk employees were tasked with marketing and advertising their bank's business strategies and plans and that sometimes included talking about housing loan policies. A native of Salyan told us that he obtained information through bank brochures that he had got from his friend.

Table 5.24

Respondents classified according to nature of relation with referring party-

Respondents had prior knowledge regarding housing loan

Nature of relation	Response	
	Frequency	Percent
Friends	74	46.6
Kinship	85	53.4
Total	159	100.0

Source: Field Survey 2022

Table 5.24 asks those borrowers who had knowledge through referral about their nature of relation with the referring party. It is seen that 46.5% of such borrowers were friends with the referring party and 53.5% had the knowledge through some relation.

A bank official claimed that it depended on bank policies whether it gave loan directly or through some other bank. She added that banks favored those clients that had come through referral. Another bank official from a Baneshwore based bank claimed that the bank gave loan to a borrower who they had done business with before more easily than to a new borrower; because dealing with an old customer meant better job security. But she denied the notion that clients who came through referral got loan more easily. She added that the level of income was directly proportional to the chances of a borrower being granted loan; but referral did not matter much.

A respondent claimed that he chose the bank to do business with the help of his cousin. He added that his cousin had filled all necessary forms and all he had had to do was put a signature. Another respondent from Baneshwore claimed that his friend's daughter had referred a bank to him. He added that because of that his work had become so much easier.

A Baneshwore based respondent claimed that having relations in banks was very helpful. He added that he was referred to on the loan process by his daughter's friends. He further said that matters of 'Sukha/Dukha' was always addressed to by friends and other relations and that was the way Nepali people are raised. Another respondent claimed that she had a nephew who encouraged her to build a house in Kathmandu and that same nephew also referred to her the bank to take loan from.

5.16 Social Capital in Loan Operation

Different factors of social capital of bank employees involved in loan operations were described to obtain background information on loan behavior from the perspective of banks. Loan behavior was described with two aspects: status of factors of social capital among employees of banks and preference of respondents.

Table 5.25

Respondents classified according to majority gender group in the bank they took loan from during loan handling

Majority gender group	Response	
	Frequency	Percent
Male	140	55.8
Female	111	44.2
Total	251	100.0

Source: Field Survey 2022

Table 5.25 describes the borrowers the gender group they dealt with more during their loan process and it is observed that 55.8% dealt more with males whereas 44.2% dealt more with females.

A respondent said to us that there was no gender bias when it came to employees in banks. He added that there was an equal number of both genders in the bank he had taken loan from. But he added that he had dealt with male employees mostly. Another respondent however told us that she had interacted with female employees more during her loan process. Another respondent said something similar. She told us that she too had found equal representations of both genders and also added that the equality was not only in numbers, but also in status and portfolio.

Table 5.26

Respondents classified according to their preferred gender group for loan handling

Gender group	Response	
	Frequency	Percent
Male	115	45.8
Female	136	54.2
Total	251	100.0

Source: Field Survey 2022

Table 5.27

Respondents classified according to the majority age group of bank staff during loan process

Majority age group	Response	
	Frequency	Percent
18-29	67	26.7
30-44	159	63.3
45-60	25	10.0
Total	251	100.0

Source: Field Survey 2022

Table 5.26 asks borrowers which gender group they enjoyed interacting with more. It is seen that 45.8% had males whereas 54.2% had females. Thus, females do a better job of handling customers.

It is found that 26.7% of the borrowers dealt with people aged 18-30; 65.3% dealt with groups 30-45 and 10% dealt with people aged 45-60. It can be concluded that bank employees are mostly aged 30-45.

A respondent claimed that most of the employees he dealt with during his application had been around 30-44 years of age. He added that there were employees of other age groups as well.

A respondent claimed that he liked the behavior of people aged 30-44 the most. He added that he liked the people from other age groups as well but people of the age group 30-44 made the most practical and convincing points.

A respondent from Salyan liked behavior of employees aged 45-60 but added that people of that age group lacked energy. Similarly, he added that people aged 18-29 were rather aggressive and reacted too quickly. Another respondent however claimed that he liked the behavior of people aged 18-29 the most. The researcher felt it was necessary to find out the actual behavior of bank employees. A native from Dhading told us that he liked the behavior of people aged 30-44 the most as well.

On the other side, a middle-aged respondent from Chabahil claimed that the bank he took loan from trusted him more easily because of his age. Similarly, a respondent, 23 years of age, told us the bank he went to had expressed doubts about him and had asked him many different questions. Another respondent of a similar age told us that a bank official asked him if he his job could sustain him for paying the loan's installments.

A bank official claimed that mortgage was the most important aspect in any loan process and banks always analyzed if a potential borrower could cover their loan before granting loan. And he further added if mortgage was not enough, banks asked for collateral. He added that this practice was perfectly legal. He added that age was

not really an issue during loan process. Another respondent, who was once a loan officer, however told us that age was definitely an issue. He added that banks considered whether a borrower was of appropriate age to pay off installments.

Table 5.28

Respondents classified according to their preferred age group for loan handling

Preferred Age Group	Response	
	Frequency	Percent
18-29	64	25.5
30-44	141	56.2
45-60	46	18.3
Total	251	100.0

Source: Field Survey 2022

Following the same pattern as that for gender, Table 5.28 asks borrowers which age group's behavior they liked the most. It is seen that 25.5% liked the behavior of employees aged 18-29; 56.2% liked that of people aged 30-44; and 18.3% liked that of people aged 45-60.

A respondent from Chabahil said that he liked the female employees' behavior more. He added that female employees were soft spoken and more helpful. He further added that he had suggested bank officials to place more female employees in the loan department.

Another respondent claimed that men were more genuine when dealing about loan but a large number of respondents said that male employees were bitter.

Similarly bank employees were also asked which gender was easier to deal with during loan processes. An employee claimed that female applicants were easier

to trust and female applicants also got loan more easily. He added that female applicants rarely lied about their status. An employee from another bank added that female applicants were truthful about their income source, family status, education, etc. whereas male applicants were more likely to twist the truth to their advantage.

5.17 Multiple Loan Applications

It was found in certain cases that loan was granted after multiple applications. It was attempted to describe cases of multiple applications and loan behavior with reference to social capital and changes in factors of social capital between applications.

Table 5.29

Respondents classified according to number of applications for loan

Number of applications	Response	
	Frequency	Percent
One time	136	54.2
Two time	77	30.7
More than 2 times	38	15.1
Total	251	100.0

Source: Field Survey 2022

Table 5.30

Respondents when asked if change in institution was required for loan

Was change required?	Response	
	Frequency	Percent
Yes	53	46.0
No	62	54.0
Total	115	100.0

Source: Field Survey 2022

Table 5.29 asks borrowers the number of times they had to apply to be approved for loan. It is found that 54.2% got it first time; 30.7% had to try twice; and 15.1% had to try thrice. This leads us to question the reasons why those 45.8% of the borrowers had to try more than once to finally have their loan request approved. Table 5.30 asks those borrowers that had to try more than once if they had to change institutions to get loan. Here, 46.1% of such borrowers had to whereas 53.9% did not have to. One of the objectives of our research is to find out why those 46.1% of the borrowers did not get approved for loan on the first attempt.

Quantitative data shows that there are many people who apply for housing loan more than one time and there are also many people who change financial institutions to get loan. The researcher asked for the causes behind this to people. A respondent exclaimed that Nepal was a place where nothing could be done if you did not know the right people. Another respondent added that the point that banks made to convince people that having the right documents got you loan was just not the reality. A Baneshwore based respondent told us that he changed to a different bank after finding out that the loan process in his initial bank had been cumbersome. He

also said that the process in his second bank was similar but it had been easier because he had some relation there.

Another respondent from Nepalgunj claimed that banks were shrewd. He added that banks demanded all documents to make sure that the loan they provided would be paid back in full; and they also asked him if he had some relative who had done business with that bank before. He further added that he had been granted loan only after mentioning one of his relatives who was a creditor in the bank.

Table 5.31

Respondents classified according to their reason for changing institutions

Reason	Response	
	Frequency	Percent
Personal relations	39	73.6
Bank policies	12	22.6
Others	2	3.8
Total	53	100

Source: Field Survey 2022

Table 5.31 asks those borrowers that changed institutions the reason why they chose to do what they did and it is observed that 73.6% of such borrowers did so because they had personal relations in some other institution; 22.6% did so because of bank policies; and 3.8% did so because of other reasons.

Table 5.32

Respondents when asked if they had changed professions moving into their second loan application

Had they changed professions?	Response	
	Frequency	Percent
Yes	22	19.0
No	93	81.0
Total	115	100.0

Source: Field Survey 2022

Table 5.33

Respondents classified according to the nature of change of profession

Nature of change	Response	
	Frequency	Percent
Private job to self-business	2	9.1
Government Service to private	4	18.2
Private job to government job	16	73.7
Total	22	100.0

Source: Field Survey 2022

Table 5.32 asks borrowers who got loan on second or third attempt if they had changed professions from first time. It is seen that 19.1% of such borrowers had changed professions whereas 80.9% had not. We shall also aim to find out if changing jobs helped that 19.1% to get loan. Table 5.33 asks those who changed jobs about the kind of profession they changed to. Here, 9.1% of such borrowers changed from a private job

to a self-business; 18.2% changed from government service to a private job; and 72.7% changed from a private job to government service. It is seen that those with a government job got loan more easily.

A bank official confessed that knowing a borrower beforehand made a lot of difference during the loan process. He added that such borrowers were easier to trust and the bank did not need to enquire as much about the borrower's credentials. He further said, "Even when a client provides us all necessary documents, we make inquiries about the client's ability to pay back our loan, without the knowledge of the client of course." Another bank employee told us that people rarely got loan in their very first attempt and people had to apply a second time or even a third time.

The researcher found out that people generally missed the question if they have changed professions. Even in the forms, this question was found to be blank mostly. Most of them have not changed professions, and hence they think it is not important to fill out that part. A respondent from Dang said, "Why should I change jobs when I have this one in the government that I got on my first attempt?" Another respondent added that his having an NGO job had made his whole loan process smooth and quick.

But from the respondents who did change jobs, it is found that most of them changed from a private job to a government one.

Table 5.34

Respondents when asked if there was change in the bank staff's majority gender group moving to second loan application

Was there change?	Response	
	Frequency	Percent
Yes	82	71.4
No	33	28.6
Total	115	100.0

Source: Field Survey 2022

Table 5.34 asks borrowers who changed institutions if they saw changes in the majority gender group of the employees in the financial institution. It is seen that 71.3% of such borrowers did whereas 28.7% did not. This change in gender group may have contributed to borrowers' getting loan on repeated attempts.

It was the same with gender. A respondent from Salyan told us that he did not see any remarkable change in the dominant gender group during his second attempt.

A respondent from Baneshwore told us that on each of his two applications, there had been 5-6 key people in the loan department and that he had seen changes in the age group of these 5-6 people on his second attempt.

Regarding changes in gender group, the number of male-female change and female-male change are almost equal. It was said by respondents that female employees were more convincing but male employees carried out their jobs faster. A respondent from Jhapa claimed that he saw that most employees had been male, when they had been female the first time around. He also noted that because of the change, his whole application was much faster than the first time. On the other hand, a respondent from Chitawan claimed that women employees had been more during her

second time and that female employees were more honest in their jobs and easier to listen to. He also felt that his loan got approved the second time because of the presence of more female employees.

Table 5.35

Respondents when asked if there was change in the bank staff's majority age group moving to second application

Was there change?	Response	
	Frequency	Percent
Yes	102	88.7
No	13	11.3
Total	115	100.0

Source: Field Survey 2022

Table 5.35 asks if borrowers who changed institutions saw changes in the majority age group of employees during the second/third time. It is seen that 88.7% of such borrowers did whereas 11.3% did not. Hence, this change in age group may also have contributed to their being approved for loan.

These questions were also left mostly unanswered. A respondent from Chitawan remarked that he did not notice any change in age group of the employees in his second application. However, some respondents have said that they saw changes in the dominant age group.

Table 5.36

Respondents classified according to the nature of change of majority age group

Nature of change	Response	
	Frequency	Percent
Young to adult	99	97.1
Adult to young	3	2.9
Total	102	100.0

Source: Field Survey 2022

Table 5.36 asks borrowers the nature of change in the majority age group and it is seen that 97.1% experienced young to adult change whereas 2.9% experienced adult to young change. Hence from this data it can be speculated that change in age group also plays some role in loan-approval process.

Regarding changes in age group, the number of young-adult changes was maximum. A respondent claimed that adults were much more convincing than young people. Another respondent added that adults were more practical. A respondent credits his being granted loan to the presence of more adult employees the second time around.

5.18 Health Status

It was found from literature review that health status is another essential factor of social capital with reference to housing loan. Health Status was classified into four categories: good, satisfactory, excellent and not so well. The status of health status and loan behavior was described.

Table 5.37*Respondents classified according to health status*

Health Status	Response	
	Frequency	Percent
Good	137	54.6
Satisfactory	86	34.3
Excellent	20	8.0
Not so well	8	3.2
Total	251	100.0

Source: Field Survey 2022

Table 5.37 asks borrowers their health status. It is observed that 54.6% of the borrowers remark that their health status is good; 34.3% say it is satisfactory; 8% say it is excellent; and 3.2% say it is not so well. Hence, people with unsatisfactory health, in general, tend to not apply for housing loan for obvious reasons. A bank employee told us that an applicant had to have good health in order to be granted loan. He said it was important as only someone with good health could pay back the loan. Another employee claimed that although a health criterion was not present in any policy, the health of a borrower was observed by the bank through other media. A respondent from Chabahil claimed that although he had fulfilled all legal and financial criteria, he was not granted loan because his health status was not good.

This concludes the descriptive presentation of individual social capital with respect to housing loan. Quantitative information obtained using close-ended questionnaire and qualitative information obtained using open questions are presented in this chapter with the purpose of establishing some causes and relation between

independent variables: age, gender, income, professional status, family size and health status and dependent variables: loan amount, interest rate and time of loan. This chapter was a presentation of the manner in which non-economic aspects influence housing loan on the basis of qualitative and quantitative data. Several non-economic aspects were introduced as dependent and independent variables; the roles of those variables have been presented in the sixth chapter.

CHAPTER VI

PERFORMANCE OF SOCIAL CAPITAL IN LENDING BEHAVIOR

This chapter is analysis of social capital in housing loan from banks in Kathmandu. Statistical hypothesis testing (p-test) is carried out between independent and dependent variables to check for significant association.

This chapter focuses on the amount of time banks give to clear loans and also how the choice of bank is affected by social capital of loanees. Age, gender, education, type of profession, health etc. are factors through which banking behavior has been analyzed.

6.1 Age and Choice of Banks

The influence of age, which is a factor of social capital with reference to housing loan, on choice of banks was explained. The p-test of significance of association was carried out between age and choice of banks with reference to loan behavior was carried out to obtain results.

Table 6.1

Age and choice of bank

		Type of bank		p-value
		Public	Government	
Age	29 and below	37(22.6%)	9(10.3%)	0.031
	30-44	62(37.8%)	42(48.3%)	
	45-59	54(32.9%)	34(39.1%)	
	60 and above	11(6.7%)	2(2.3%)	

Source: Field Survey 2022

The statistically accepted p-values for significant association are 0.05 or less. Therefore, significant association between age and the choice of bank is observed (p-value=0.031). About age, it is seen that borrowers choosing both kinds of banks regardless of their age. Out of the people who choose government banks, most seem to be aged 30-44. Similarly, public banks are preferred more by youths. Government bank officials claim when interviewed that they are more inclined to approve loan applications of middle aged and aged people, as observed in table. These banks claim that aged people are more serious about paying their interest and about paying off their debt in general. This somewhat contradicts the qualitative data obtained from public banks. Public banks claim that youths are more energetic and pay their interests in time.

It has been observed through primary data that as age increases, the tendency to change banks decreases. So, people aged 45-59 and higher have not changed banks even if their loan application got rejected the first time. An (2022) cites Putnam (1993) and says that people with stronger bonds have weaker incentives to engage in opportunistic behavior and stronger incentives to build trust and sound reputations within their networks. Government banks are easier to deal with in the sense that some of their rules can be slightly bent; and so sometimes make the whole process less stressful. So, people look to get loan from government banks. Those rules in public banks are rather strict and at times even unfair. However, we observe a high number of people opting to choose public banks. This may be because of a sense of loyalty to the banks.

6.2 Gender and Choice of Banks

The influence of gender, which is a factor of social capital with reference to housing loan, on choice of banks was explained. The p-test of significance of association was carried out between gender and choice of banks with reference to loan behavior was carried out to obtain results.

Table 6.2

Gender and choice of bank

		Type of bank		p-value
		Public	Government	
Gender	Male	116(70.7%)	50(57.5%)	0.035
	Female	48(29.3%)	37(42.5%)	

Source: Field Survey 2022

The choice of banking on the basis of gender was also triangulated. Our quantitative data shows that gender is related to the choice of bank (p-value=0.035). The data shows that the greater percentage of loanees in both kinds of banks is that of males.

6.3 Education and Choice of Banks

The influence of education, which is a factor of social capital with reference to housing loan, on choice of banks was explained. The p-test of significance of association was carried out between education and choice of banks with reference to loan behavior was carried out to obtain results.

Table 6.3*Education and Choice of banks*

		Type of bank		p-value
		Public	Government	
Education	S.L.C	52(31.7%)	27(31.0%)	0.145
	Under-graduate	1(0.6%)	0(0.0%)	
	Graduate	86(52.4%)	37(42.5%)	
	Post-Graduate	25(15.2%)	23(26.1.4%)	

Source: Field Survey 2022

Quantitative data has shown that education level does not affect banking behavior, especially the choice of banks. We did not find a significant association between the kind of banks and education.

6.4 Occupation and Choice of Banks

The influence of occupation, which is another factor of social capital, on choice of banks was explained. The p-test of significance of association was carried out between occupation and choice of banks with reference to loan behavior was carried out to obtain results.

Table 6.4*Occupation and choice of bank*

		Type of bank		p-value
		Public	Government	
Occupation	Government	43(26.1.2%)	27(31.0%)	0.724
	Non-Government	49(29.9%)	24(27.6%)	
	Business	38(23.2%)	22(25.3%)	
	Overseas	34(20.7%)	14(16.1.1%)	

Source: Field Survey 2022

From quantitative data, it was observed that there is no significant association between occupation and choice of bank. If people do choose banks on the basis of some reason, occupation is not that reason. But through interviews, it was found that people working in government offices tend to opt for government banks because they believe government banks provide better loan security. Similarly, people who work overseas prefer public banks because there are better prospects of foreign investment in these banks.

6.5 Monthly Income and Choice of Banks

The influence of monthly income, which is a factor of social capital with reference to housing loan, on choice of banks was explained. The p-test of significance of association was carried out between monthly income and choice of banks with reference to loan behavior was carried out to obtain results.

Table 6.5*Monthly income and choice of banking*

		Type of bank		p-value
		Public	Government	
Income	25,000-50,000	77(47.0%)	42(48.3%)	0.997
	50,000-100,000	40(24.4%)	21(24.1%)	
	100,000-200,000	29(17.7%)	15(17.2%)	
	Above 200,000	18(11.0%)	9(10.3%)	

Source: Field Survey 2022

It was observed through quantitative data that there is no significant association between monthly income and the nature of banks, the division being done on the basis of the major investor of banks. When asked, people with high monthly income preferred public banks more. They claimed this was so because public banks were more efficient and better equipped.

6.6 Family Size and Choice of Banks

The influence of family size, which is a factor of social capital with reference to housing loan, on choice of banks was explained. The p-test of significance of association was carried out between family size and choice of banks with reference to loan behavior was carried out to obtain results.

Table 6.6*Family size and Choice of banking*

		Type of Bank		p-value
		Public	Government	
Family Size	Single	16(9.8%)	6(6.9%)	0.085
	2 to 4	54(32.9%)	41(47.1%)	
	More than 4	94(57.3%)	40(46.0%)	

Source: Field Survey 2022

Thus, family size also does not come into play when choosing banks.

6.7 Gender and Volume/Amount of Loan

The influence of gender, which is a factor of social capital with reference to housing loan, on amount of loan was explained. The p-test of significance of association was carried out between gender and amount of loan with reference to loan behavior was carried out to obtain results.

Table 6.7*Gender and Volume*

		Volume					p-value
		5-25	25-50	50-75	75-100	More than	
		lakhs	lakhs	lakhs	lakhs	100-lakhs	
Gender	Male	12(52.2%)	29(52.7%)	45(60.0%)	38(80.9%)	42(82.4%)	0.001
	Female	11(47.8%)	26(47.3%)	30(40.0%)	9(19.1%)	9(17.6%)	

Source: Field Survey 2022

Regarding loan amount, gender seems to be an angle worth analyzing. We find that gender and amount have significant association ($p\text{-value}=0.001$). The table shows that out of the two genders, male applicants tend to get more loan amounts. We observe from the quantitative data that the ratio of male to female also increases as the loan amount increases. At lower volumes, the ratio of male to female is almost equal; but for volumes exceeding 100 lakhs, the number of males who have got loan is nearly 5 times that of females. Upon questioning bank employees, it was found that banks apparently provided loans without discrimination despite what the quantitative data said. So, it can be deduced that males are granted larger amounts because they are the majority applicants.

The above table has shown, with statistical verification, men tend to get loan more than women do. Correlating these two, it can be deduced that taking risks during banking processes also increases the chances of being granted loan.

The two researches are vastly different with respect to the content, the objectives and broad nature altogether. It is however observed that both show a kind

of relation between gender and banking behavior; and implies that gender does influence banking behavior.

Machalek and Martin (2015) have claimed that men tend to look for larger social networks built using weak ties, as compared to women. This also means that men tend to change banks more than women do. And hence using this research as basis, the gender-volume table can be analyzed in the following perspective: Men have higher loan-granted percentages for all volumes because they are willing to take more chances.

Timsina (2011) has said that lending behavior generally depends on economic factors such as capital base, density of the deposit, interest rate, exchange rate, inflation, etc. But our qualitative data has concluded that loanees' gender, which is more or less a social variable and not at all economic, also affects lending behavior as this table implies that the volume of loan granted depends on the gender of the applicant.

An (2022) mentions that presence of social capital means higher mortgage rates, shorter screening rates, longer maturities, lower interest rates and reduced loan delinquency rates. This table tells us that higher amounts are granted more to males than to females. This paper can be used to explain the table in the sense that males tend to have more extensive social capital than females do. And hence males get larger volumes more.

6.8 Age and Volume/Amount of Loan

The influence of age, which is a factor of social capital with reference to housing loan, on amount of loan was explained. The p-test of significance of association was carried out between age and amount of loan with reference to loan behavior was carried out to obtain results.

Table 6.8***Age and Loan Volume***

		Volume					p-value
		5-25	25-50	50-75	75-100	More than	
		lakhs	lakhs	lakhs	lakhs	100-lakhs	
Age	29 and below	7(30.4%)	12(21.8%)	12(16.1.0%)	9(19.1%)	6(11.8%)	0.359
	30-44	8(34.8%)	20(31.4%)	33(44.0%)	22(46.8%)	21(41.2%)	
	45-59	7(30.4%)	23(41.8%)	26(34.7%)	14(29.8%)	18(35.3%)	
	60 and above	1(4.3%)	0(0.0%)	4(5.3%)	2(4.3%)	6(11.8%)	

Source: Field Survey 2022

Regarding age and loan amount, quantitative table does not show any significant association between loan amount sanctioned and age group. Yes it has been seen that the age group 65-70 is the ceiling as far as loan sanctioning is concerned. But if people are within legal limits, then they are granted loan regardless of their age. Hence, that can be why it is observed that young people have been granted larger volumes as compared to old people. Although the quantitative data for this instance is not statistically significant, qualitative data has implied that loan volume does indeed depend on age.

6.9 Occupation and Volume/Amount of Loan

The influence of occupation, which is a factor of social capital with reference to housing loan, on amount of loan was explained. The p-test of significance of

association was carried out between occupation and amount of loan with reference to loan behavior was carried out to obtain results.

Table 6.9

Occupation and volume

Occupation type	Volume					p-value
	5-25	25-50	50-75	75-100	More than	
	lakhs	lakhs	lakhs	lakhs	100-lakhs	
Government	9(39.1%)	14(25.5%)	18(24.0%)	15(31.9%)	14(27.5%)	0.279
Non-Government	4(17.4%)	15(27.3%)	32(42.7%)	12(25.5%)	10(19.6%)	
Business	7(30.4%)	15(27.3%)	12(16.0%)	10(21.3%)	16(31.4%)	
Overseas	3(13.0%)	11(20.0%)	13(17.3%)	10(21.3%)	11(21.6%)	

Source: Field Survey 2022

From quantitative data, it has been observed that occupation too has no significant association with the volume of loan sanctioned. This is what the quantitative data has to show. But through interviews, it has been said that banks ask for and verify people's occupation before granting them loan. This part has been even admitted by bank employees that they are serious about the occupation of loanees. This is done so to ensure they can get loan security.

6.10 Education and Volume/Amount of Loan

The influence of education, which is a factor of social capital with reference to housing loan, on amount of loan was explained. The p-test of significance of

association was carried out between education and amount of loan with reference to loan behavior was carried out to obtain results.

Table 6.10

Education and volume

		Volume					p-value
		5-25	25-50	50-75	75-100	More than	
		lakhs	lakhs	lakhs	lakhs	100-lakhs	
Education	S.L.C	6(26.1%)	12(21.8%)	30(40.0%)	13(27.7%)	18(35.3%)	0.473
	Under-graduate	0(0.0%)	0(0.0%)	1(1.3%)	0(0.0%)	0(0.0%)	
	Graduate	12(52.2%)	27(49.1%)	32(42.7%)	26(55.3%)	26(51.0%)	
	Post-Graduate	5(21.7%)	16(29.1%)	12(16.0%)	8(17.0%)	7(13.7%)	

Source: Field Survey 2022

The association between loan amount and education is not significant but this value is not to be taken as absolute. Technically, it might seem that loan volume and education are not significantly related but respondents claimed that banks only provide loan to people with good education. This fact was denied by the bank employees interviewed.

6.11 Monthly Income and Volume/Amount of Loan

The influence of monthly income, which is a factor of social capital with reference to housing loan, on amount of loan was explained. The p-test of significance of association was carried out between monthly income and amount of loan with reference to loan behavior was carried out to obtain results.

Table 6.11

Monthly Income and Volume

		Volume					p-value
		5-25	25-50	50-75	75-100	More than	
		lakhs	lakhs	lakhs	lakhs	100-lakhs	
Income	25,000-50,000	14(60.9%)	22(40.0%)	35(46.7%)	22(46.8%)	26(51.0%)	0.378
	50,000-100,000	4(17.4%)	18(32.7%)	13(17.3%)	12(25.5%)	14(27.5%)	
	100,000-200,000	4(17.4%)	7(12.7%)	20(26.7%)	7(14.9%)	6(11.8%)	
	Above 200,000	1(4.3%)	8(14.5%)	7(9.3%)	6(12.8%)	5(9.8%)	

Source: Field Survey 2022

In course of talking with loanees, they said that monthly income matters but it was not found so from the quantitative data. Bank employees also did not exactly claim as much. Hence, monthly income does not determine the amount of loan but it does have some small influence.

Diriba (2020) mentioned in his article that only privileged Ethiopians were given loans, whereas the less privileged ones were not. Since these privileged ones have higher income, it goes to surmise that they will get higher loans. So, it can be deduced that higher income means higher loan volume.

6.12 Family Size, Professional History and Volume/Amount of Loan

The influence of family size and professional history, which are factors of social capital with reference to housing loan, on amount of loan was explained. The p-test of significance of association was carried out between family size-amount of loan and professional history-amount of loan with reference to loan behavior were carried out to obtain results.

Table 6.12*Family size and professional history and volume*

		Volume					p-value
		5-25 lakhs	25-50 lakhs	50-75 lakhs	75-100 lakhs	More than 100-lakhs	
Family Size	Single	1(4.3%)	6(10.9%)	8(10.7%)	4(8.5%)	3(5.9%)	0.195
	2 to 4	12(52.2%)	28(50.9%)	23(30.7%)	15(31.9%)	17(33.3%)	
	More than 4	10(43.5%)	21(38.2%)	44(58.7%)	28(59.6%)	31(60.8%)	

		Volume					p-value
		5-25 lakhs	25-50 lakhs	50-75 lakhs	75-100 lakhs	More than 100-lakhs	
Professional History	Under 5 years	5(21.7%)	8(14.5%)	10(13.3%)	9(19.1%)	3(5.9%)	0.663
	5 to 10 years	4(17.4%)	11(20.0%)	12(16.0%)	5(10.6%)	11(21.6%)	
	10 to 20 years	6(26.1%)	16(29.1%)	22(29.3%)	9(19.1%)	15(29.4%)	
	More than 20 years	8(34.8%)	20(36.4%)	31(41.3%)	24(51.1%)	22(43.1%)	

Source: Field Survey 2022

Like with other social capital, family size and professional history do not show significant association with loan volume in the quantitative data. But from interviews with bank employees, it was found that banks ask for professional duration to any aspiring loanee so as to guarantee loan repayment.

6.13 Gender and Time of Loan

The influence of gender, which is a factor of social capital with reference to housing loan, on time of loan was explained. The p-test of significance of association was carried out between gender and time of loan with reference to loan behavior was carried out to obtain results.

Table 6.13

Gender and time

		Time		p-value
		10-15years	15-20 years	
Gender	Male	21(58.3%)	34(65.4%)	0.502
	Female	15(41.7%)	18(34.6%)	

Source: Field Survey 2022

There is no significant association between time duration to clear loan and gender issues. Banks provide loan to loanees irrespective of their being males or females.

6.14 Age and Time of Loan

The influence of age, which is a factor of social capital with reference to housing loan, on time of loan was explained. The p-test of significance of association was carried out between age and time of loan with reference to loan behavior was carried out to obtain results.

Table 6.14*Age and Time*

		Time		p-value
		10-15 years	15-20 years	
Age	29 and below	12(33.3%)	10(19.2%)	0.139
	30-44	7(19.4%)	21(40.4%)	
	45-59	15(41.7%)	20(38.5%)	
	60 and above	2(5.6%)	1(1.9%)	

Source: Field Survey 2022

Similarly, age also does not have any significant association with the time duration people get to clear loans. However, qualitative analysis tells a different story. Respondents claimed that every bank's main concerns were the repayment of loan on time and repayment altogether. And so, if an aspiring loanee's age was such that there would be lesser probability of loan repayment, that loanee would not be granted loan.

6.15 Occupation and Time of Loan

The influence of occupation, which is a factor of social capital with reference to housing loan, on time of loan was explained. The p-test of significance of association was carried out between occupation and time of loan with reference to loan behavior was carried out to obtain results.

Table 6.15*Occupation and time*

		Time		p-value
		10-15 years	15-20 years	
Occupation	Government	4(11.1%)	12(23.1%)	0.018
	Non-Government	12(33.3%)	27(51.9%)	
	Business	12(33.3%)	5(9.6%)	
	Overseas	8(22.2%)	8(15.4%)	

Source: Field Survey 2022

There is significant association between occupation and time duration to clear loan ($p\text{-value} = 0.018$). However, it was found through interviews that people who were involved in business got less time to clear their loan whereas people in other areas (governmental and non-governmental jobs) were dealt with such that time was not really an issue. A service holder told us that their bank told them to pay off their debt in their own good time. The quantitative data also shows the same. Here it is observed that people involved in business have mostly got 10-15 years to clear loans whereas people in other jobs have got more than 15 years in average. We observe a $p\text{-value}$ of 0.018 which makes the relation statistically significant.

Diriba (2020) mentions that studies divide determinants of commercial banks into external and internal factors and all of those factors are economic. However, our table here has shown that occupation, which is a social variable, also affects the duration of time people get to clear their loans.

6.16 Education and Time of Loan

The influence of education, which is a factor of social capital with reference to housing loan, on time of loan was explained. The p-test of significance of association was carried out between education and time of loan with reference to loan behavior was carried out to obtain results.

Table 6.16

Education and time

		Time		p-value
		10-15 years	15-20 years	
Education	S.L.C	7(19.4%)	15(28.8%)	0.596
	Under-graduate	0(0.0%)	0(0.0%)	
	Graduate	19(52.8%)	25(48.1%)	
	Post-Graduate	10(27.8%)	12(23.1%)	

Source: Field Survey 2022

Talking about education, there is no significant association between time duration and education. It is a general consensus that people with higher education tend to get longer time to clear their loan. But this research did not prove that in any manner. As long as the legal criteria are met, education does not matter during loan processes as far as time duration to clear loan is concerned.

6.17 Monthly Income and Time of Loan

The influence of monthly income, which is a factor of social capital with reference to housing loan, on time of loan was explained. The p-test of significance of association was carried out between monthly income and time of loan with reference to loan behavior was carried out to obtain results.

Table 6.17

Monthly income and Time

		Time		p-value
		10-15 years	15-20 years	
Income	25,000-50,000	12(33.3%)	34(65.4%)	0.009
	50,000-100,000	12(33.3%)	10(19.2%)	
	100,000-200,000	3(8.3%)	5(9.6%)	
	Above 200,000	9(25.0%)	3(5.8%)	

Source: Field Survey 2022

Monthly income and time duration are shown to have significant association with one another. Banks claimed that this was not true and as long as legal criteria were met, loan would be dispatched. But our quantitative data says absolutely otherwise and so do other loanees that were interviewed. Hence, monthly income does influence the time duration banks give to clear loans.

6.18 Family Size and Time of Loan

The influence of family size, which is a factor of social capital with reference to housing loan, on time of loan was explained. The p-test of significance of

association was carried out between family size and time of loan with reference to loan behavior was carried out to obtain results.

Table 6.18

Family size and Time

		Time		p-value
		10-15 years	15-20 years	
Family Size	Single	4(11.1%)	7(13.5%)	0.202
	2 to 4	12(33.3%)	26(50.0%)	
	More than 4	20(55.6%)	19(36.5%)	

Source: Field Survey 2022

Family size also does not have significant association with the time duration to clear loan. However, this is not absolutely so. Respondents claimed that banks asked for family size to ensure payment of loan, in case something happens to the original loanee.

6.19 Professional History and Time of Loan

The influence of professional history, which is a factor of social capital with reference to housing loan, on time of loan was explained. The p-test of significance of association was carried out between professional history and time of loan with reference to loan behavior was carried out to obtain results.

Table 6.19*Professional history and time duration*

Time duration		Time		p-value
		10-14 years	15-20 years	
Time	5 years and below	7(19.4%)	7(13.5%)	0.214
	5 to 10 years	3(8.3%)	11(21.2%)	
	10 to 20 years	8(22.2%)	16(30.8%)	
	20 years and above	18(50.0%)	18(34.6%)	

Source: Field Survey 2022

As far as professional history is concerned, the quantitative data does not show any significant association with the time duration to clear loan. Respondents said that their bank did ask them to specify the number of years they had been in their then-jobs. But they added that banks took this information as matter-of-factly and did not dwell over it too much.

6.20 Gender and Interest on Loan

The influence of gender, which is a factor of social capital with reference to housing loan, on interest on loan was explained. The p-test of significance of association was carried out between gender and interest on loan with reference to loan behavior was carried out to obtain results.

Table 6.20*Interest rate and gender*

		Interest rate				p-value
		2-5%	5-10%	10-15%	More than 15%	
Gender	Male	27(60%)	18(81.8%)	49(56.3%)	72(74.2%)	0.021
	Female	18(40%)	4(18.2%)	38(43.7%)	25(25.8%)	

Source: Field Survey 2022

For interest rate and gender, we see a significant association. Technically, a p-value of 0.021 is an indicator of a significant relationship. So, gender influences interest rate drastically. This fact has been proven by qualitative data as well. Some respondents claim that they got low interest rate because they were male. However, some respondents also claimed that they were able to reduce their rate because they were women. But banks deny giving biased rates on the basis of gender.

Machalek and Martin (2015) claim that women might have relatively narrow social networks as compared to men; but what they do have is built on strong ties as opposed to men's having weak ties. So, they build stronger relations and hence can ask for favors more easily. We observe in the quantitative data that majority male loanees are given interest rates of above 15%, whereas majority females have got 10-15% interest rates on their loans. This can be attributed to the fact that women build stronger relationships with banks as compared to men; and this ultimately helps them get lower rates.

Diriba (2020) lists which economic factors affect banking behavior and how all those economic factors fail to illustrate the effect of social factors on banking

behavior in Ethiopia. Our research also shows the same in the sense that the table shows, with statistical significance that gender affects interest rate.

6.21 Age and Interest on Loan

The influence of age, which is a factor of social capital with reference to housing loan, on interest on loan was explained. The p-test of significance of association was carried out between age and interest on loan with reference to loan behavior was carried out to obtain results.

Table 6.21

Age and Interest rate

		Interest rate				p-value
		2-5%	5-10%	10-15%	More than 15%	
Age	29 and below	11(24.4%)	3(13.6%)	18(20.7%)	14(14.4%)	0.118
	30-44	20(44.4%)	8(36.4%)	30(34.5%)	46(47.4%)	
	45-59	9(20.0%)	11(50.0%)	34(39.1%)	34(35.1%)	
	60 and above	5(11.1%)	0(0.0%)	5(5.7%)	3(3.1%)	

Source: Field Survey 2022

It has been seen in the quantitative data that age and interest rate have no significant association. Some interviewees however claimed that they were considered for lower interest rates because of their age. Belas (2015) has said that older people tend to remain loyal to their banks; and banks tend to reward this loyalty through services. So, it can be deduced that old people should get loan at lower interest rates. This is not observed in the quantitative data. However, the relation shown in the quantitative data is not a statistically significant one, so what it says might not be true.

However, interviews have shown that older people have got lower rates and hence, it is implied that age does affect interest rate.

6.22 Occupation and Interest on Loan

The influence of occupation, which is a factor of social capital with reference to housing loan, on interest on loan was explained. The p-test of significance of association was carried out between occupation and interest on loan with reference to loan behavior was carried out to obtain results.

Table 6.22

Occupation and interest rate

		Interest rate				p-value
		2-5%	5-10%	10-15%	More than 15%	
Occupation	Government	15(33.3%)	7(31.8%)	17(19.5%)	31(32.0%)	0.009
	Non-Government	12(26.7%)	10(45.5%)	31(35.6%)	20(20.6%)	
	Business	13(28.9%)	5(22.7%)	24(27.6%)	18(18.6%)	
	Overseas	5(11.1%)	0(0.0%)	15(17.2%)	28(28.9%)	

Source: Field Survey 2022

Here p-value test shows that the relation is statistically significant (p-value<0.005). Qualitative data has also told us the same. Many respondents claimed that interest rate was influenced heavily by occupation. They have claimed that people with permanent jobs and regular jobs tend to get a lower rate, because these people pay interest on time. Similarly, people with good, stable business also tend to get a

lower rate. Hence, there is significant association between occupation and interest rate.

6.23 Education and Interest on Loan

The influence of education, which is a factor of social capital with reference to housing loan, on interest on loan was explained. The p-test of significance of association was carried out between education and interest on loan with reference to loan behavior was carried out to obtain results.

Table 6.23

Education and Interest rate

		Interest rate				p-value
		2-5%	5-10%	10-15%	More than 15%	
Education	Below undergraduate	11(24.4%)	5(22.7%)	37(42.5%)	27(27.8%)	<0.001
	Graduate	28(62.2%)	5(22.7%)	41(47.1%)	49(50.5%)	
	Post-Graduate	6(13.3%)	12(54.5%)	9(10.3%)	21(21.6%)	

Source: Field Survey 2022

From the quantitative data, we see significant association between education and interest rate (p-value<0.001). Some respondents however believe that their bank had considered education also while fixing their interest rate.

6.24 Monthly Income and Interest on Loan

The influence of monthly income, which is a factor of social capital with reference to housing loan, on interest on loan was explained. The p-test of

significance of association was carried out between monthly income and interest on loan with reference to loan behavior was carried out to obtain results.

Table 6.24

Monthly income and Interest rate

		Interest rate				p-value
		2-5%	5-10%	10-15%	More than 15%	
Income	25,000-50,000	22(48.9%)	8(36.4%)	50(57.5%)	39(40.2%)	0.087
	50,000-100,000	10(22.2%)	4(18.2%)	16(18.4%)	31(32.0%)	
	100,000-200,000	10(22.2%)	4(18.2%)	14(16.1%)	16(16.5%)	
	Above 200,000	3(6.7%)	6(27.3%)	7(8.0%)	11(11.3%)	

Source: Field Survey 2022

No significant association with interest rate was observed in the case of monthly income also in the quantitative data. Some respondents however claimed that they got a reduced rate because they had a low monthly income.

6.25 Family Size, Professional History and Interest on Loan

The influence of family size and professional history, which are factors of social capital with reference to housing loan, on interest on loan was explained. The p-test of significance of association were carried out between family size-interest on loan and professional history-interest on loan with reference to loan behavior was carried out to obtain results.

Table 6.25*Family size and professional history and Interest rate*

		Interest rate				p-value
		2-5%	5-10%	10-15%	More than 15%	
Family size	Single	3(6.7%)	1(4.5%)	10(11.5%)	8(8.2%)	0.641
	2 to 4	14(31.1%)	7(31.8%)	36(41.4%)	38(39.2%)	
	More than 4	28(62.2%)	14(63.6%)	41(47.1%)	51(52.6%)	
		Interest rate				p-value
		2-5%	5-10%	10-15%	More than 15%	
Professional History	Under 5 years	9(20.0%)	4(18.2%)	11(12.6%)	11(11.3%)	0.819
	5 to 10 years	7(15.6%)	2(9.1%)	17(19.5%)	17(19.5%)	
	10 to 20 years	11(24.4%)	8(36.4%)	25(28.7%)	24(24.7%)	
	More than 20 years	18(40.0%)	8(36.4%)	34(39.1%)	45(46.4%)	

Source: Field Survey 2022

Quantitative data has shown that there is no significant association between family size and interest rate. Similar is the case with professional history as well. But some respondents claimed that banks asked for their job duration before deciding the interest rate on their loan.

There were many people who got information through referral and there was an equal number of people who got information directly. Though our quantitative data does not show any significant association between with independent variables. Through qualitative data however, it was found that most women had taken loan through referral. Similarly, people with undergraduate level of education also took

loans through referral. And as far as the nature of referral is concerned, most people claimed that the referring party was their friend or relative of their friends. This means that referral has high significance in housing loan. It was also found that people who chose banks through referrals got reduced interest rate on their loan. Similarly, such people also got as much loan as they wanted.

Most undergraduates claimed that they did not have any prior knowledge about housing loan and bank policies. On the other hand, most people in government jobs had prior knowledge and chose banks directly.

Through our qualitative data, it can be concluded that social capital does affect under graduate people's getting loan. Similarly, females use more social capital during loan processes than males do. Hence, females and under graduates tend to use social capital to get loans that benefit them. Granovetter (1985), in his review, stated that standard economic analysis neglects identity and past relations of individual transistors, but rational individual knew better relying on their knowledge of these relations. In case of housing loan, our research has found that there is significant association with public relation during housing loan process. So Granovetter's findings match in case of banking activities because he says economic activities cannot exist separately from social structure. He further says social institutions interact with each other and they shape one another. Also here in Nepal, the housing loan, as an economic activity, is directly related to social relation because there are roles of social network, norms, trust, power and institutions.

There is no significant association of independent variables with the gender of the bank staff. Similarly, the behavior shown by bank staff was also, in no way, affected by the independent variables. Similarly, there is also no significant

association between the independent variables and volume of loan, interest rate, time duration, etc.

However, we do see some association between the independent variables and the age group of the workers in banks. Occupation and education of loanee affects the age of bank staff drastically. It was observed that loanees who had non-governmental job were dealt with by bank staff aged 30-45. Similarly, undergraduate people were also dealt with people of the same group as above.

Quantitative data does now show significant association of the gender of bank staff with age. It was seen that people aged 45-60 preferred dealing with women staff. These people claimed that they were better treated by women. Similarly, women loanees claimed that they were helped and better treated by male employees. Similarly, it has been observed from quantitative data that monthly income has no effect on the gender of bank staff. Hence, no concrete association is seen between the gender of bank staff and different independent variables.

6.26 Relationship with Referring Party and Choice of Banks

The influence of relationship with referring party on choice of banks was explained. The p-test of significance of association was carried out between relation with referring party and choice of banks with reference to loan behavior was carried out to obtain results.

Table 6.26*Type of reference: Choice of bank*

		Major Shareholder		p-value
		Public	Government	
Nature of relationship with referring party	Friends	44(42.7%)	29(52.7%)	0.229
	Kinship	59(57.3%)	26(47.3%)	
Total		103	55	

Source: Field Survey 2022

Talking about the choice of bank, we observe two kinds on the basis of major shareholder in banks. A bank is either a government bank or a public bank. No significant relation was observed between the nature of referring party and the choice of bank. Also from qualitative data, it was seen equal numbers of people went to both banks through referral.

6.27 Relationship with Referring Party and Volume of Loan

The influence of relationship with referring party on volume of loan was explained. The p-test of significance of association was carried out between relation with referring party and volume/amount of loan with reference to loan behavior was carried out to obtain results.

Table 6.27*Type of reference: volume of loan*

		Amount of Loan					p-value
		5-25	25-50	50-75	75-100	More than	
		Lakhs	Lakhs	Lakhs	Lakhs	100 Lakhs	
Nature of relationship with referring party	Friends	5(45.5%)	10(32.3%)	20(46.5%)	20(55.6%)	18(48.6%)	0.436
	Kinship	6(54.5%)	21(67.7%)	23(53.5%)	16(44.4%)	19(51.4%)	
Total		11	31	43	36	37	

Source: Field Survey 2022

Most respondents who had taken a big amount of loan are usually seen to have gone through kinship. Hence this somehow implicates a possible relation between the nature of referring party and the volume of loan granted. But quantitative data shows no significant association.

Talking about relations, our research does not show significant association between nature of relation and housing loan amount. But qualitative data shows that information and cooperation from friends is easy and efficient in comparison to that of kinship relation. Granovetter (1985) has said that more information can be obtained from friends as compared to immediate relations.

6.28 Relationship with Referring Party and Time of Loan

The influence of relationship with referring party on time of loan was explained. The p-test of significance of association was carried out between relation with referring party and time of loan with reference to loan behavior was carried out to obtain results.

Table 6.28

Type of reference: Time duration

		Time to clear loan		p-value
		10-15 years	15-20 years	
Nature of relationship with referring party	Friends	8(66.7%)	65(44.5%)	0.139
	Kinship	4(33.3%)	81(55.5%)	
Total		12	146	

Source: Field Survey 2022

In the quantitative data, a slightly significant relation between the nature of referring party and the time duration of loan is observed. However, the test statistic for this is still beyond the accepted limit. Hence, it cannot be conclusively said that there exists some significant relation. But respondents' responses show that those people who choose bank through friends get a higher time duration.

6.29 Relationship with Referring Party and Interest Rate

The influence of relationship with referring party on interest rate was explained. The p-test of significance of association was carried out between relation

with referring party and interest rate with reference to loan behavior was carried out to obtain results.

Table 6.29

Type of reference: Interest rate

		Rate of Interest				p-value
		2-5%	5-10%	10-15%	More than 15%	
Nature of relationship with referring party	Friends	14(51.9%)	3(60.0%)	22(40.0%)	34(47.9%)	0.645
	Kinship	13(48.1%)	2(40.0%)	33(60.0%)	37(52.1%)	
Total		27	5	55	71	

Source: Field Survey 2022

As far as interest rate is concerned, no significant relation with the nature of referring party is observed. But qualitative data tells us that people who take loan through some kin get a favorable interest rate. Research on financial markets and banking in sociology is diverse. But it is unified by the assumption that a financial market is a social system and our results are also diverse. Furthermore, quantitative and qualitative are shown to contradict at times.

6.30 Health and Choice of Banks

The influence of health status, which is a factor of social capital with reference to housing loan, on choice of banks was explained. The p-test of significance of

association was carried out between health status and choice of banks with reference to loan behavior was carried out to obtain results.

Table 6.30

Health and Choice of banks

		Major Shareholder in Bank		p-value
		Public	Government	
Health Status	Good	86(52.4%)	50(58.1%)	0.435
	Satisfactory	61(37.2%)	25(29.1%)	
	Excellent	11(6.7%)	9(10.5%)	
	Not so well	6(3.7%)	2(2.3%)	
Total		164	86	

Source: Field Survey 2022

When choosing banks, the health status of loanees seems to have played no significant role. Any person, healthy or unhealthy, chooses banks not on the basis of health. Even from the qualitative data, no relevant response was observed.

6.31 Health and Volume/Amount of Loan

The influence of health status, which is a factor of social capital with reference to housing loan, on amount of loan was explained. The p-test of significance of association was carried out between health status and amount of loan with reference to loan behavior was carried out to obtain results.

Table 6.31*Health and Volume of loan*

		Amount of Loan					p-value
		5-25 Lakhs	25-50	50-75	75-100	More than	
			Lakhs	Lakhs	Lakhs	100 Lakhs	
Health Status	Good	8(34.8%)	29(52.7%)	47(62.7%)	31(66.0%)	22(43.1%)	0.031
	Satisfactory	4(17.4%)	21(38.2%)	22(29.3%)	13(27.7%)	26(51.0%)	
	Excellent	10(43.5%)	3(5.5%)	1(1.3%)	3(6.4%)	3(5.9%)	
	Not so well	1(4.3%)	2(3.6%)	5(6.7%)	0(0.0%)	0(0.0%)	
	Total	23	55	75	47	51	

Source: Field Survey 2022

Significant relation is observed between the health status of a loanee and the amount of loan he gets (p-value= 0.031). Quantitative data has shown that good health ensures more loan amount. Hence, the healthier you are, more likely are you to get a greater loan amount. Even qualitative data agrees with this find. However, bank authorities deny this claim. They say that the notion that nicer health grants more loan is illogical. They also add that all their loan processes are guided by law and economic liquidity. But once again both qualitative and quantitative say otherwise.

6.32 Health and Time of Loan

The influence of health status, which is a factor of social capital with reference to housing loan, on time of loan was explained. The p-test of significance of

association was carried out between health status and time of loan with reference to loan behavior was carried out to obtain results.

Table 6.32

Health and Time duration

		Time to clear loan		p-value
		10-15 years	15-20 years	
Health Status	Good	21(58.3%)	116(54.0%)	0.215
	Satisfactory	8(22.2%)	78(36.3%)	
	Excellent	5(13.9%)	15(7.0%)	
	Not so well	2(5.6%)	6(2.8%)	
Total		36	215	

Source: Field Survey 2022

It has been found that there is no significant association between the health of a loanee and the time duration to clear loan. Hence, one is granted as long a loan duration they want regardless of their health. The qualitative data also supports this claim.

6.33 Health and Interest Rate

The influence of health status, which is a factor of social capital with reference to housing loan, on interest rate was explained. The p-test of significance of association was carried out between health status and interest rate with reference to loan behavior was carried out to obtain results.

Table 6.33*Health and Interest rate*

		Rate of Interest				p-value
		2-5%	5-10	10-15%	More than 15%	
Health Status	Good	23(51.1%)	14(63.6%)	47(54.0%)	53(54.6%)	0.416
	Satisfactory	16(35.6%)	5(22.7%)	27(31.0%)	38(39.2%)	
	Excellent	5(11.1%)	1(4.5%)	10(11.5%)	4(4.1%)	
	Not so well	1(2.2%)	2(9.1%)	3(3.4%)	2(2.1%)	
Total		45	22	87	97	

Source: Field Survey 2022

Similarly, no significant association is seen between the health of a loanee and the interest rate on loan. Hence, the health condition of a person does not, in any manner, affect the interest rate on loan. But qualitative data provides different findings. It has been observed that people with satisfactory health tend to get higher rates whereas those with poor health get lower rates.

It was necessary to define social capital in housing loan in Nepal. From title to objectives, the researcher has tried to investigate the interrelations and the role of social capital over the banking activities. In course of this, different literatures in form of data collections were accompanied concentrating on the meaning and definition of social capital in the ground of economics especially in banking. Qualitative and quantitative data were simultaneously used. In other words, an analysis of social capital in context of Nepal and Nepali society with emphasis on banking has also been explored in the study. Forms of social capital were concretely found in the construct

of several aspects of life. The main ones were education, health status, income, family size, age, gender and professional history. Individuals were found to have understood the significance of social capital in economic activities. Officers in banks were also found to seek certain aspects of social capital while conducting their duties, i.e. they made decisions on the basis of social capital.

It was observed that there were different kind of social capitals of individual household. To some extent they were similar to the practice of other countries but some parameters of social capitals were different in the context of Nepal.

The ideas of Granovetter(2005) that economic activities cannot be separated from social activities, is found relevant in Nepal as well. Every loan applicant had his/her own types of identity in relation to social capital. The activities of both loan takers and givers proved that the lending activities are not solely technical or economic. It is clear that economics is pure only when limited to academics but becomes embedded with social aspects when it is generated in action. Significant association ($p\text{-value} < 0.05$) was observed between social capital and housing loan. The factors that influence loan decisions were unique to the bank i.e. some banks were seen to give priority to the monthly income whereas some to the nature of job.

Building on this, the role of social capital in housing loan has also been explored. There are many aspects of social capital and the nature in which each of these aspects affects banking behaviour was also different. It was observed that the social grounds of loanees were mostly similar. For example most of the loanees were from out of the valley and of the mentality that building a house in the valley was suitable for uplifting social status. When such people require the funds necessary for their plans, they take loan from licensed institutions which are banks and financial institutions. There is similarity among loanees in this regard i.e. banks and financial

institutions provide required housing loan but these loanees have different contexts in terms of factors such as age, education, economic grounds, etc.

6.34 Hypothesis Testing

Any association with p-value less than or equal to 0.05 is considered to be statistically significant; thus, proving our hypothesis.

H1: The applicant's education is significantly associated with time for loan, the loan volume and interest rate.

Table 6.10 shows association between education and loan volume; but the association is not statistically significant (p-value= 0.473). Similarly, education and time are also not significantly associated as seen in Table 6.16 (p-value = 0.596).

Education and interest rate are found to be significantly associated as observed in Table 6.23 (p-value<0.001). Thus, it can be concluded that interest rate on loan depends on the education level of the applicant.

H2: Professional history is significantly associated with time for loan, loan volume and interest rate.

Professional history and family size are not found to be significantly associated as seen in Table 6.12 (p-value=0.663). Professional history and time duration are also not significantly associated as observed in Table 6.19 (p-value=0.214). Interest rate and professional history are also found to lack significant association as seen in Table 6.25 (p-value= 0.819).

H3: Occupation of applicant is significantly associated with the time for loan, loan volume and interest rate.

In Table 6.9, it is seen that occupation and loan volume are not significantly associated (p-value = 0.279).

Occupation and time for loan are seen to be significantly associated as seen in Table 6.15 (p-value = 0.018). Similarly, occupation and interest rate are also seen to be significantly associated as seen in Table 6.22 (p-value=0.009).

H4: Age group of the borrower ratio has a significant and positive effect on the time for loan, loan volume and interest rate.

From Table 6.8, it can be concluded that age group is not significantly associated with loan volume (p-value = 0.359). Similarly, age and time for loan are also not significantly associated as observed in Table 6.14 (p-value=0.139). Age and interest rate are also found to not be associated as seen in Table 6.21 (p-value = 0.118).

H5: The gender of the borrower was significantly associated with the time for the loan, the loan volume, and the interest rate.

Gender and loan volume are found to be significantly associated as seen in Table 6.7 (p-value= 0.001). Gender and interest rate are also found to be significantly associated as seen in Table 6.20 (p-value = 0.021).

Gender and time for loan are not found to be significantly associated as seen in Table 6.13 (p-value = 0.502).

H6: The health status of the applicant was significantly associated with the time for the loan, the loan volume, and the interest rate.

Health status and loan volume are seen to be significantly associated as seen in Table 6.32 (p-value = 0.031).

Health status is not significantly associated with time for loan as seen in Table 6.33 (p-value=0.215); and health is also not associated with interest rate as observed in Table 6.34 (p-value=0.416)

This chapter provided necessary analysis of social capital in housing loan by hypothesis testing between independent and dependent variables.

CHAPTER VII

SUMMARY, DISCUSSION CONCLUSION AND SUGGESTION

7.1 Summary of Findings

Social capital and banking have come to be inseparable aspects in day-to-day life. The avenue of social capital is large and hence, in this research, some clear demarcations regarding social capital have been found in the context in Nepalese economics and economic activities. Not only through literature, triangulated data from different stages namely on age, gender, education, public relations, monthly income, etc. have been introduced as to define social capital.

First, investment in housing is increasing throughout the world. This investment happens in two ways: real estate and retailer housing. Real estate housing is one where licensed agencies conduct business in housing. Retailer housing is one where individuals construct, buy and sell houses on their own terms and negotiations, done to fulfill basic requirements. Banks invest more in retailer housing because this form of housing entails better investment security. This trend is observed especially in Asia and Nepal where a substantial amount of total investment of banks is done in retailer housing. Therefore from this point of view, social capital has more impact on retailer housing and retailer housing loan.

Relevant aspects of social capital are obtained by banks through loan application forms. These aspects may be different depending on the bank, but are mostly similar. Those aspects common in majority banks have been considered for analysis.

Different banks set different criteria for the same aspect: for example, some banks set maximum age eligible for loan application to 60 whereas some set it to 70.

Therefore, age bar is an important detriment for loan eligibility from the bank side. Likewise, the minimum age is 21 in some banks and 25 in others.

Health status is measured under four adjectives: excellent, good, normal and poor. However, further clarifications are not available in their loan documents. The information provided by such questions are not very revealing of the true situation because what one considers good health status may be thought of as excellent health status by someone else. Therefore, banks ask such questions as routine in full knowledge that the information obtained may not be useful.

Data reveals that banks think of housing loan as a secure form of loan, in the sense that it gets paid back in full. And that is why banks are ever eager to provide housing loan. There are set legal arrangements regarding the legal documents required being eligible for loan; and fulfilling these criteria is enough to be given loan. But clients claim that banks tend to do other checks as well. They claim that banks look into the social aspects of their life before coming to any decision.

Every bank has its own unique set of policies regarding housing loan. But it is found that the housing loan process in all banks is to some extent affected by social capital. To ensure the security of their investments, banks take several extra strategies. These strategies are mainly inclined towards social capital, while they should be only about economic and legal provisions. The nature of dominant social capital in our country is different from that which is observed elsewhere. In foreign countries, education and monthly income play larger roles during interactions; whereas in our country, friendship and kinship more over the number of family are given more priority.

It is very hard to build a house in an urban area. Normally, people have no monetary means. And hence, there is this direct conflict of interest and reality. They want to build a house but they do not have enough money. And hence, people go to banks as they have no other viable option. There are many banks and financial institutions working in the city. These institutions have almost identical governing mechanism in the sense that the legal documents and aspects of economic liquidity pertaining to all banks are the same. However, the policies these individual institutions make regarding their several services tend to differ from institution to institution. Almost all people have used their social capital for getting loan from bank and financial companies. It also shown that social capital matters to all the beneficiaries in different ways.

Among people who have received loan, 18.3% people are aged 29 or below; 41.4% are 30-44 years of age; 35.1% are 45-59 years of age; and 5.2% are 60 or over. People aged 30-44 apply the most whereas people aged 60 or more apply the least. It is seen that people who get loan most are 30-44 years of age whereas those aged 60 and above are least active in housing loan transaction.

It is observed that 66.1% individuals are male and 33.9% are female. This implies that men tend to apply for loan more than women do. Males tend to apply for loan more than females.

It is seen that 27.9% people who obtain loan are in government services; 29.1% are in non-government services; 23.9% are involved in businesses; and 19.1% are overseas. It is seen that people of all profession require loan but the amount may differ.

It is observed that 31.9% are undergraduates or lower; 49% are graduates; and 19.1% are post graduates. It is seen that graduates are more likely to get housing loan. It has been found that 47.4% of the borrowers earn 25000-50000; 24.3% earn 50000-1lakh; 17.5% earn 1 lakh-2lakh; and 10.8% earn more than 2 lakhs. Hence, people that earn 25000-50000 monthly are most in need of loans whereas those that earn more than 2 lakh need loans the least.

It is seen that 37.8% of the borrowers have a family size of 3-4; 53.4% have more than 4 whereas 8.8% have not started one. People with family size of more than four are granted loan the most. 13.9% of the borrowers have been in their current profession for less than 5 years; 17.1% have been for 5-10 years; 27.1% have been for 10-30 years; and 41.8% have been for more than 20 years. It is seen that those people who have secured their job status are more likely to be given loan. Likewise, 59% did it to uplift their social standards whereas 41% did it because they did not have a house. It is seen that the number of people applying to uplift social standards is similar to that applying because they do not have a house.

It is seen that 9.2% applied for 5-25 lakhs; 21.9% applied for 25-50 lakhs; 29.9% applied for 50-75 lakhs; 18.7% applied for 75-100 lakhs; and 20.3% applied for more than 100 lakhs. People are seen to mostly apply for 50-75 lakhs; indicating the average cost of housing in Kathmandu.

It is seen that 46.5% of such borrowers were friends with the referring party and 53.5% had the knowledge through some relation. People are seen to gather information about housing loan through friendship and kinship. It is seen that 45.8% had males whereas 54.2% had females as preferred gender of interaction in banks. Thus, females do a better job of handling customers. It is also seen that 26.7% of the

borrowers dealt with people aged 18-30; 65.3% dealt with groups 30-45 and 10% dealt with people aged 45-60. It can be concluded that bank employees are mostly aged 30-45. 25.5% liked the behavior of employees aged 18-29; 56.2% liked that of people aged 30-44; and 18.3% liked that of people aged 45-60. It is also observed that 54.2% got it first time; 30.7% had to try twice; and 15.1% had to try thrice. This leads us to question the reasons why those 45.8% of the borrowers had to try more than once to finally have their loan request approved. Table 5.30 asks those borrowers that had to try more than once if they had to change institutions to get loan. Here, 46.1% of such borrowers had to whereas 53.9% did not have to. 73.6% of such borrowers did so because they had personal relations in some other institution; 22.6% did so because of bank policies; and 3.8% did so because of other reasons.

It is seen that 19.1% of such borrowers had changed jobs between two loan applications whereas 80.9% had not. With regards to the nature of change, 9.1% of such borrowers changed from a private job to a self-business; 18.2% changed from government service to a private job; and 72.7% changed from a private job to government service. It is seen that those who changed to government jobs were granted loan more than those who changed to private jobs. It is seen that 54.6% of the borrowers remark that their health status is good; 34.3% say it is satisfactory; 8% say it is excellent; and 3.2% say it is not so well. It can be concluded that those with good health status are more likely to be granted loan.

Therefore, housing loan is not detached from sociological aspects. The process of housing loan appears to be solely economic superficially but sociological theories and practices have established the existence of the influence of sociological aspects on housing loan, a notion which is denoted by the term embeddedness. The process of

housing loan from banks in Kathmandu was also seen to have sociological aspects embedded.

When giving loan, banks tend to search into the private affairs of clients. The moral and ethical implications of this need to be analyzed properly. It is found that banks mainly ask for the number of family members (independent variable). It is to be noted that family size does not play any significant role whatsoever to fulfill the legal criteria. The sole reason the researcher has introduced family size as an independent variable is because banks ask for it regardless of it not being a legal necessity.

Our independent variables were relevant because they opened and revealed some aspects of banking, namely housing loan; aspects that have gone unexplored till now. It was found that gender influenced the way in which loanees were treated by bank employees. Female loanees claimed that they found female employees more cooperative. Male loanees experienced the same thing with male bank employees. This was an entirely unexpected finding for the researcher as well. In this study, it was also found that Kathmandu has large statutory significance for people. Having a house in Kathmandu instills in people a sense of healthiness and fearlessness. It also establishes in people a satisfaction that they have uplifted themselves into a higher social standing.

There are many banks that operate in Kathmandu and one of the major sources of business for these banks is housing loan, both retailer and real estate. There are legal precedents and documents that serve as criteria that must be met in order to be granted loan. These criteria are of economic nature and meeting these economic criteria should guarantee desired amount of loan. But it is observed in reality that not all applicant equally priorities despite same economic and legal eligibility, this is an

area that must be explored further. The subject matter of social capital is a vague one but it has been concretely shaped in the context of Nepali society. In this sense, social capital is understood by some factors of individual development and identities such as age, gender, education level, monthly income, professional history, health status and family size. It was observed that social capital is shaped according to contemporary society.

The other aspect is related with embeddedness. Social capital is observed to be embedded in different subject matters which were previously assumed to be autonomous. Different factors of social capital affect economic transactions differently i.e. one factor may be more influence whereas another may have less.

The social grounding of loanees is observed to be similar to some extent. The reasons behind the tendency of people from outside valley to construct house in city through housing loan are found to be similar, which is ultimately the upliftment of social status and the sources of said housing loan are banks and financial institutions. However, other social grounds such as education, age, professional history, etc. are found to be different.

This research has concluded that housing in urban area is more important to people who take loan. It has been implied that entire life's effort and attempt has been to construct a house in urban area. In addition to this, it has also been observed that the only substantial property owned by these people is the house constructed through loan. Therefore, housing is an indicator of social status and security. People use social capital to get favorable conditions during loan negotiations. Banks also use social capital as basis to determine suitable candidates for housing loan. It has therefore been

observed that social capital plays vital part in the loan taking process of housing loan candidates in one form or another.

It has been observed through this research is that all of these parameters have some kind of relation with banking and these parameters also influence decisions regarding housing loan was the next and important objective and findings have been induced contextual way .

The depth or degree of association of independent variables i.e., education, age, etc. were all varying but some form of association was there nonetheless. The dependent variables in this study i.e. amount of loan, time period for clearing loan, etc. were all found to be associated with the independent variables. When viewed superficially, it is observed that only economic and legal factors come into play when dealing with housing loan. But this research tends to reveal otherwise and show clearly how even social factors influence housing loan.

Both kinds of data were used: qualitative and quantitative, side by side. In many cases, the qualitative data showed association but quantitative did not. In some cases, the situation was the exact reverse. And in some cases, both data showed association. Hence, only then was it concluded that the independent and dependent variables had interrelation among each other. The notion that banks provide housing loan on the basis of public relation seems to be soft to some extent.

In the course of the study many more social reality in case of Nepalese economics society came in surface. Some of the representative example are most of the loanees were not locals, they were from outside Kathmandu valley. Such people felt more comfortable dealing with staffs that were from the same district or village.

This means that relation and locality also play some relation during housing loan processes.

Housing contributes directly to broader socio-economic development of people. A vast majority of people throughout the world still think investment in housing is valuable and a major economic commodity. This notion exists both in developed countries and developing countries. It is commonly accepted that the well-being of both individuals and families is not possible if the need for satisfactory housing is not met. Housing also has psychological importance especially among the low-income families. It plays a pivotal role in all round development of each individual member of the family and ultimately this impact extrapolates to the community and ultimately to the entire country. House is more than just a shelter. It gives psychological stamina to think one is safe and protected and that helps to change their lives for the better. Moreover ownership of a house makes people think that they have more social status in their community. Housing plays an important role especially in the developing countries for many of the reasons.

7.2 Limitations of the Study

The nature of research is such that it is conducted in a fixed locality and time boundary. So the researcher is affected by time, place and duration in this regard. The research was conducted in the periphery of Kathmandu valley even though the respondents were from different parts of the country. It has been concluded that the significance of all aspects of social capital are not similar i.e. some aspects play strong roles during loan process whereas some do not. Aspects of social capital and variables for the research are different from the view of significance. The findings of this research may not reflect the situation of other parts of the world or of other times

other than the period of study. This is because the definition of social capital and its significance may differ according to place and time. The findings of this research are limited to the contemporary society and similar places.

For example, banks of Kathmandu give high priority to monthly income and the nature of job especially to government jobs. This is due to the high privileges and prestige people with government jobs enjoy in Nepali society which may not be the case elsewhere. Government job is an important aspect of social capital in Nepal only and maybe in some other places but not all places.

Therefore, the significance of an aspect of social capital is determined by the societal setting and the findings of this research are limited to Nepali or similar societies.

7.3 Conclusion

In this dissertation, the researcher has attempted to find out the answer to whether banking activities in Nepal are solely economic or whether there is social behavior involved. To do so, the researcher tried to find out the effects of social capital in banking behavior.

Banking behavior means different kinds of activities conducted in banks. Not all banking activities could be analyzed in a single dissertation. So, housing loan was taken as the representative banking behavior to be used to examine relation between social capital and economic activities. In the course of doing this, it has been developed some specific objectives which were: documenting social capital concerned with banking; analyzing the embeddedness of social capital in loan process; and finding out how social capital affects loanee-bank management relations.

The theory of embeddedness, which concludes that all economic activities have social factors ingrained in them, has been used as the basis of analysis in this

research. The researcher tried to factor in the effect of the relationship between the bank management and loanees during loan process. Basic variables were introduced and hypotheses involving potential relation between these basic variables and banking behavior were also formulated.

The permission to start research was granted by the Office of the Dean, Humanities and Social Sciences, Tribhuvan University on the 13th of March, 2022. Data collection was done during June 2022; to March, 2023. This was followed by data analysis and processing which ended on September, 2023. Sample size was 251. The main characteristics that were studied included age, education, gender, etc. People also differed in terms of their economic status and income. Everyone had their own ideas, views and experiences in and around banks. Realizing the importance of getting the bank employees' take as well, the researcher also met with and interviewed several bank staffs belonging to different levels. This was done since bankers' take on banking ideas and situation is also very important.

The main problem statement was to determine whether loan process was solely economic or if there were social factors embedded. Therefore, the objectives were constructed in a way that explained social capital and the manner in which social capital affected loan getting process.

Sheets containing a questionnaire on housing loan were distributed to be filled up. The purpose was to get first hand quantitative data. Some people did leave blank fields while filling their questionnaire but all in all, the questionnaires were filled with enthusiasm. Hence, there is some data missing. On the qualitative side however, questions were answered in detail and with frankness. Qualitative data provided some excellent insights which have helped the substantially.

The first objective was to find out the provisions of social capital in banks and financial companies. Different banks were found to have certain provisions regarding social capital in their policies; it was observed that the provisions were similar in specifics and the findings were aggregated to obtain the following seven variables representing social capital provisioned by banks in Kathmandu: age, monthly income, family size, professional history, gender, education level and health status.

The second objective was to describe why housing loan is not defined solely by economic aspects. This was achieved by aspects of social capital such as age, gender, education, professional history, monthly income, family size and health status.

The final objective was to determine the aspects of housing loan affected by the factors described by the first and second objectives. P-value test between multiple particulars related to housing loan (aspects such as volume of loan, Time of loan, Interest rate, etc.) and the factors determined through first objective revealed significant relation ($p\text{-value} \leq 0.05$) in some cases.

7.4 Discussion

This thesis finds its roots in the theory of embeddedness proposed by Granovetter(2005), where he presented the notion that economy cannot be isolated from social aspects. This research was based primarily in Nepali context and the idea of embeddedness was found to be true here as well. Banking and especially, housing loan was chosen as representative economic activity and the influence of social capital was checked on economic activities.

To pursue this course, it was necessary to parameterize social capital or in other words, it was necessary to define what construed social capital. It was also necessary to determine whether all those parameters affected housing loan similarly

or in different manners. To that end, qualitative research and literature review have helped define aforementioned parameters of social capital. Granovetter(2005) wrote that social relations are embedded in economic action but become more autonomous with modernization. Our data, however, shows that the degree of embeddedness is there regardless of modernization of our society.

Granovetter(2019) claims that weak ties is beneficial for economic relations because such relations can convey more information. This is seen to be true even in the context of Nepal. Information about issues such as interest rates, offers, etc. get circulated through friendships mostly, rarely through kinships. Our main aim is to understand the power of age, gender, education, monthly income and relations on banking and loan. But factors such as age, gender, etc. come side by side. In this thesis, the researcher has tried to analyze both economic and more especially non-economic aspects of loanees. In course of this, the researcher has clearly differentiated between economic entities and non-economic (social) entities.

This next portion is dedicated to testing the findings of this research with theory of embeddedness (Granovetter, 2005). With regards to the first objective, banks make provisions regarding housing loans with focus on education, gender, age, health status, family size, monthly income and professional history. It was found that the aspect of social capital prioritized differs from one bank to another. This created difficulties to collect and include all provisions of all banks since they differed from one another but the task was completed. Social capital is generally used in terms of relationships with other individuals, as is seen in the findings of this research. Social capital as prioritized by banks and that mentioned in the works of Granovetter (1985, 2005, 2019) were triangulated to obtain specific aspects of social capital to focus on to achieve the objectives of the research.

With regards to the second objective, social capital was described in-depth with reference to Nepali community. The description was multi-dimensional as the perception of social capital differed from individual to individual and the difference was attributed to varying geographical address and social background. This resulted in disparities in qualitative and quantitative data in some cases. This has more significantly cleared the rationality of mixed method. The third and final objective analysed the influence of social capital on housing loan behaviour. Economic liquidity does not solely determine banks' loan behaviour. Social capital plays a vital role and the aforementioned objectives describe the nature in which social capital plays those roles. One important dissimilarity between the theory on embeddedness and this dissertation is the foundation of social capital. The following variables: education, family size, age, health status, professional history, gender and monthly income have been used to analyse and subsequently describe social capital; whereas Granovetter (2005) uses social interrelationships with more focus to define social capital.

7.5 Contribution to Knowledge

This thesis provides value to the subject matter of sociology and economics. Specifically, the contribution of this dissertation can be categorized into two aspects: Theoretical and Empirical Aspects. There are many theories about social capital that help explain human interaction, relations and behavior. Economic activities may seem to be exclusively economic on superficial analysis but it has been shown that social capital also has significant bearing on economic activities through his theory on embeddedness (Granovetter, 2005). This dissertation aims to test this theory in a certain specific setting: the paradigm of housing loan in Nepali banking.

The empirical contribution of this dissertation includes multiple prongs: this research has attempted to find out the kind of people come to bank for loan; it has

explored the social profile of said people; and it has explored the possibility of a link between social profile of loanee and banking behavior. All this has been done using quantitative and qualitative data obtained from questionnaire and interviews respectively. Several aspects related to loan have been presented on the basis of the social profile of loanees to triangulate a relation between profile and behaviour and the researcher has made the utmost efforts to show the nature of reality in the context of Nepal.

7.6 Recommendation for Further Study

This research is only a small window to see the avenue of role of social capital on banking activities. Housing loan will be one dimension to assess the reality and there are other dimensions that can be pursued which can generate valuable information. There is the need for extensive qualitative and quantitative research to generate data about banks and role of social capital, especially in Nepali societies. This is because lacunas of study in social aspect in economic field give only one part of knowledge that could have adverse impacts on economic development in Nepal. In view of this, there is the need for sociological study to promote economic activities and increase equal opportunities to all and thereby reduce or minimize problems in economic sector. It is also necessary to examine whether social capital affects loans other than housing loan as well (industry loan, auto loan, etc.). Cross referencing and analysing the knowledge thus obtained should help provide a wider perspective of things.

ANNEX-I

Qualitative Question Model

Questions to bank:

- 1) Data shows that people who take loan are mostly aged 30-45. Why do you think this is so?
- 2) What do you think is the reason why people who take loan are mostly service holders?
- 3) Why do you provide loan mostly to medium-sized families? Do you believe in family more than you do in individual?
- 4) It is observed people with long service tenure are granted loan the most. Why is it so?
- 5) According to your data, most loanees are from outside the valley. What do you think is the reason behind this? Please explain.

Questions to loanee:

- 1) According to the bank staff, you have come today to pay interest on your home loan. What was the process of taking loan and what hardships did you face?
- 2) Why didn't you want to build a house in Kathmandu?
- 3) What made you decide the bank to take loan from?

ANNEX-II

Questionnaire for respondents

1. Name (नाम)
2. Address (ठेगाना)
3. Gender (लिंग)
 - a) Male(पुरुष) b) female(महिला)
4. What is your age group? (तपाईं कुन उमेर समूहमा पर्नुहुन्छ ?)
 - a) 18-30 b) 30-45 c) 45-60 d) above 60
5. Occupation (पेशा)
 - a. Business(व्यापार)
 - b. Gov. Service(सरकारी नोकरी)
 - c. Non-gov. job(गैरसरकारी काम)
 - d. Overseas(बैदेशिक रोजगार)
6. What is your education level? (तपाईंको शैक्षिक स्तर खुलाईदिनुहुन्थ्यो कि?)
 - a. Under S.L.C (एस्. एल्. सिभन्दा कम)
 - b. S.L.C (एस्. एल्. सि उत्तीर्ण)
 - c. Graduate(स्नातक)
 - d. Post Graduate(स्नातकोत्तर)
7. Your annual Income (तपाईंको वार्षिक आय नेरुमा)
 - (a) 25000 to 50000 (b) 50000 to 100000 (c) 100000 to 200000 (d) 200000 above
8. No. of family members (परिवार संख्या)
 - (a) Single(एकल) (b) Double(दुईजना) (c) 3 to 4 (d) More than 4
9. How many years have you been in your current profession? (यो पेशामा कति वर्षदेखि हुनुहुन्छ?)
 - (a) 1 to 5 years (b) 5 to 10 years (c) 10 to 20 years (d) more than 20 years

10. Have you recently changed your profession? (अहिले हालसालै पेशा परिवर्तन गर्नुभएको छ?)

(a) Yes(छ) (b) No(छैन)

11. If yes, what is the cause? (यदि हो भने, कारण खुलाईदिनुहुन्थ्यो कि?)

(a) inadequate salary(तलब कम भएर) (b) lack of chance to get promoted(बढुवाको सम्भावना नदेखेर)

(c) lack of Job security(जागिरको सुरक्षा नभएर)

12. Taking home loan is your..... (घरकर्जा लिनु तपाईंको)

(a.) Compulsion(बाध्यता) (b.) Just interest(स्वेच्छिक)

13. Who is the major shareholder of the bank you apply for loan? (तपाईंले कर्जा लिन आवेदन दिएको

बैंकको मुख्य लगानीकर्ता को हो?)

(a.)Government(सरकारी) (b.) public(सार्वजनिक)

14. If you chose a government bank what was the cause behind this? (यदि तपाईंले सरकारको मुख्य

लगानी भएको बैंक छान्नुभएको भए कारण खुलाईदिनुहुन्थ्यो कि?)

(a.) Low interest rate(कम ब्याजदर) (b.) i have relation there(त्यहाँ मेरो सम्पर्क थियो) (c.) no legal

hurdles(कानुनी भ्रमेला छैन) (d.) short process(सरल प्रक्रिया)

15. If you chose a public bank what was the cause behind this? (यदि तपाईंले जनताको मुख्य लगानी

भएको बैंक छान्नुभएको भए कारण खुलाईदिनुहुन्थ्यो कि?)

(a.) Low interest rate (b.) i have relation there(c.) no legal hurdles(d.) short process (a.) Low

interest rate(कम ब्याजदर) (b.) i have relation there(त्यहाँ मेरो सम्पर्क थियो) (c.) no legal hurdles(कानुनी

भ्रमेला छैन) (d.) short process(सरल प्रक्रिया)

16. Why did choose to build your house in an urban area by taking loan? (घरकर्जा लिएर घर

बनाउनुको कारण खुलाईदिनुहुन्थ्यो कि?)

a.) because i do not have a house(मेरो घरै छैन) b.) just to uplift your social standard (सामाजिक स्तर

बढ्छ भन्ने विश्वासले)

17. What amount of loan did you apply for? (कति रकमको लागि कर्जा निवेदन दिनुभएको थियो?)

- a. 5-25 lakhs
- b. 25-50 lakhs
- c. 50-75 lakhs
- d. 75-100 lakhs

18. What is the rate of interest on your loan application? (तपाईंले कति प्रतिशत ब्याज तिर्नेगरी कर्जा निवेदन दिनुभएको थियो?)

- a. 2-5%
- b. 5-10%
- c. 10-15%
- d. 15-20%

19. What type of financial institution did you apply for loan from? (कुन प्रकारको बित्तिय संस्थामा तपाईंले कर्जाको निवेदन दिनुभएको थियो?)

- a. Commercial Bank (व्यावसायिक बैंक)
- b. Development Bank (विकास बैंक)
- c. Finance Company (वित्तिय संस्था)
- d. Co-operative(सहकारी)

20. How long ago did you apply for the loan? (तपाईंले कति अगाडि कर्जाकोलागि निवेदन दिनुभएको थियो?)

- a. Recently(हालसालै)
- b. 5-10 years ago
- c. 10-15 years ago
- d. More than 15years ago

21. How long did the institution give you to clear the loan? (कर्जा चुक्ता गर्न संस्थाले तपाईंलाई कति समय दिएको छ ?)

- a. 10-15 years

b. 15-20 years

c. 20-25 years

22. How did you apply for the loan? (तपाईंले कर्जाको लागि कसरी निवेदन दिनुभयो?)

a) Direct(सिधै) b) Referral(कसैको माध्यमले)

23. If through referral, what was the nature of your relationship with the referring party?

(यदि तपाईं कुनै माध्यममार्फत गएको भए, तपाईंको माध्यमसंगको सम्बन्धको प्रकार खुलाईदिनुहुन्थ्यो कि?)

a. kinship(नाता सम्बन्ध)

b. friends(साथीहरु)

c. friends of friends(साथीको साथीहरु)

24. Did you have any knowledge about bank policies regarding housing loans? (कर्जासम्बन्धी

बैंकका नीतिहरुबारे तपाईंलाई जानकारी थियो ?)

(a) Yes(छ) (b) no(छैन)

25. If yes, how did you know? (यदि जानकारी थियो भने कसरी थियो ?)

(a) Direct(सिधै) b) Referral(कसैको माध्यमले)

26. If through referral, what was the nature of your relationship with the referring party? (

यदि तपाईंले कुनै माध्यममार्फत थाहा पाएको भए, तपाईंको माध्यमसंगको सम्बन्धको प्रकार खुलाईदिनुहुन्थ्यो कि?)

a. kinship(नाता सम्बन्ध)

b. friends(साथीहरु)

c. friends of friends(साथीको साथीहरु)

27. At the time of applying, which gender group did you deal with the most in the banks? (

कर्जा प्रक्रियामा तपाईंले बढी कुन लिंग समूहसंग बढी कारोबार गर्नुभयो?)

(a) Men(पुरुषहरु) (b) women(महिलाहरु)

28. At the time of applying, which gender group's behavior did you like more? (कर्जा प्रक्रियामा

कुन लिंग समूहको ब्यहोरा तपाईंलाई बढी मन पर्‍यो?)

(a) Men(पुरुषहरु) (b) women(महिलाहरु)

29. At the time of applying, to which age group did you deal with the most? (कर्जा प्रक्रियामा

तपाईंले बढी कुन उमेर समूहसँग बढी कारोबार गर्नुभयो?)

(a) 18-30 (b) 30-45 (c) 45-60 (d) above 60.

30. At the time of applying, which age group's behavior did you like the most? (कर्जा प्रक्रियामा

कुन उमेर समूहको ब्यहोरा तपाईंलाई बढी मन पर्‍यो?)

(a) 18-30 (b) 30-45 (c) 45-60 (d) above 60

31. How many times did you have to apply for loan? (कर्जा स्वीकृत हुन तपाईंले कति पटक निवेदन

गर्नुप‍र्‍यो ?)

a. One time(एकचोटि)

b. Two times(दुईचोटि)

c. More than two times(दुईचोटिभन्दा बढी)

32. If your application got approved only in the second time, did you have to apply in a

different financial institution from the first time? (यदि तपाईंको कर्जा दोस्रो प्रयासमा स्वीकृत भएको हो भने) के कर्जा स्वीकृत गराउन तपाईंलाई छुट्टै बित्तिय संस्था धाउनुप‍र्‍यो ?)

(a) Yes(प‍र्‍यो) (b) no(परेन)

33. If yes, what reason made you change institutions? (यदि तपाईंको कर्जा दोस्रो प्रयासमा स्वीकृत भएको

हो भने) बित्तिय संस्था परिवर्तन गर्नुप‍र्‍छाडि के कारण थियो ?)

(a) Bank policies(बैंक नीतिहरु) (b) personal relations(व्यक्तिगत सम्बन्धहरु) (c) others(अन्य)

34. If your application got approved only in the second time, had you changed your

profession from the first time? के दोस्रो पटक कर्जा निवेदन गर्दा तपाईंले पेशा परिवर्तन गर्नुभएको थियो ?)

(a) Yes(थियो) (b) No(थिएन)

35. If yes changed from (यदि परिवर्तन गर्नुभएको भए, कुन पेशाबाट कुन पेशामा परिवर्तन गर्नुभएको थियो?)

- (a) Gov. Service to private(सरकारीबाट निजी) (b) Private job to government service(निजीबाट सरकारीमा) (c) government service self-business(सरकारीबाट स्वव्यवसाय) (d) private job to self-business(निजीबाट स्वव्यवसाय)

36. If your application got approved only in the second time, did you observe a change in gender group in the institution's employees? (दोस्रो पटकमा बैकस्टाफको लिंग समूहमा केही परिवर्तन पाउनुभएको थियो?)

- (a) Yes(थिएँ) (b) No(थिइन)

37. If yes changed from (यदि थियो भने परिवर्तनको कस्तो खालको थियो?)

- (a) Male to female(पुरुषबाट महिला) (b) female to male(महिलाबाट पुरुष)

38. If your application got approved only in the second time did you observe any changes in the age group of the institution's employees? (दोस्रो पटकमा बैकस्टाफको उमेर समूहमा केही परिवर्तन पाउनुभएको थियो?)

- a) Yes(थिएँ) (b) No(थिइन)

39. If yes changed from (यदि थियो भने परिवर्तनको कस्तो खालको थियो?)

- (a) Young to adult(युवाबाट पाको उमेर) (b) adult to young(पाको उमेरबाट युवा)

40. Do you feel like adding something more regarding your loan?(कर्जाकोलागि निवेदन दिने र कर्जा प्राप्त गर्नेसम्बन्धमा तपाईं र बैकबिच कारोबार हुँदा तपाईंले प्राप्त गर्नुभएको अनुभवबारे केही विशेष छ भने खुलाईदिनुहुन्थ्यो कि?)

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