

**ANALYSIS ON DEPOSIT COLLECTION, LOAN
DISBURSEMENT AND LOAN RECOVERY PATTERN
OF SIDDHARTHA BANK LIMITED**

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**ANALYSIS ON DEPOSIT COLLECTION, LOAN DISBURSEMENT
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and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for degree of

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TABLES OF CONTENTS

| Acknowledgement | Page No. |
|---|-----------------|
| CHAPTER | |
| I INTRODUCTION | 1-6 |
| Background of the study | 1 |
| Focus of the study | 4 |
| Statement of the problem | 4 |
| Objective of the study | 5 |
| Significance of the study | 5 |
| Limitation of the study | 5 |
| Organization of the Study | 6 |
| II REVIEW OF LITERATURE | 8-44 |
| Conceptual Review | 8 |
| Review of Related studies | 32 |
| Review Related Books and journals | 32 |
| Review of Related Dissertation | 39 |
| Research Gap | 44 |
| III RESEARCH METHODOLOGY | 45-49 |
| Research Design | 45 |
| Population and Sample | 46 |
| Nature and sources of Data | 46 |
| Data collection Techniques and Procedures | 46 |
| Statistical tools used | 47 |
| Variable studied | 49 |
| IV PRESENTATION AND ANALYSIS OF DATA | 50-78 |
| Presentation and Analysis of Data | 50 |
| Major Findings of the Study | 76 |
| V SUMMARY, CONCLUSION AND RECOMMENDATION | 79-83 |
| Summary | 79 |
| Conclusion | 80 |
| Recommendation | 81 |
| | |
| Bibliography | |
| Appendix | |

List of Tables

| Table No. | Title of the Table | Page No. |
|------------------|---|-----------------|
| 4.1 | Annual Average Growth of type-wise Deposit collection | 51 |
| 4.2 | Portfolio of Deposits | 53 |
| 4.3 | Percentage of Repayment to Disbursement and Outstanding | 56 |
| 4.4 | Annual Growth of Outstanding Loan | 58 |
| 4.5 | Annual Growth of Disburse Loan | 59 |
| 4.6 | Annual Growth of Repayment Loan | 61 |
| 4.7 | Composition of Type-wise Loan Disbursement | 62 |
| 4.8 | Composition of Type-wise Loan Repayment | 64 |
| 4.9 | Composition of Type-wise Outstanding Loan | 66 |
| 4.10 | Percentage of Repayment to Disbursement and Outstanding for working capital Loan | 67 |
| 4.11 | Percentage of Repayment to Disbursement and Outstanding for consumption Loan | 69 |
| 4.12 | Percentage of Repayment to Disbursement and Outstanding for Term Loan | 70 |
| 4.13 | Repayment Loan of Term Loan as per Subdivision | 72 |
| 4.14 | Repayment Loan of Working Capital as per subdivision | 74 |
| 4.15 | Repayment Loan of Consumption Loan as per subdivision | 75 |

List of Figures

| Fig. No. | Title of the Figures | Page No. |
|-----------------|---|-----------------|
| 4.1 | Annual Average Growth rate of type-wise deposit collection | 52 |
| 4.2 | Portfolio of Deposits | 54 |
| 4.3 | Percentage of Repayment to Disbursement and Outstanding | 57 |
| 4.4 | Annual Growth of Outstanding Loan | 58 |
| 4.5 | Annual Growth of Disbursement Loan | 60 |
| 4.6 | Annual Growth of Repayment Loan | 61 |
| 4.7 | Composition of type-wise loan Disbursement | 63 |
| 4.8 | Composition of type-wise loan Repayment | 65 |
| 4.9 | Composition of Type-wise Loan Outstanding | 67 |
| 4.10 | Percentage of Repayment to Disbursement and Outstanding for working capital Loan | 68 |
| 4.11 | Percentage of Repayment to Disbursement and Outstanding for consumption loan | 70 |
| 4.12 | Percentage of Repayment to Disbursement and Outstanding for Term Loan | 71 |
| 4.13 | Repayment Loan of Term Loan as per subdivision | 73 |
| 4.14 | Repayment Loan of Working Capital as per subdivision | 74 |
| 4.15 | Repayment Loan of Consumption Loan as per subdivision | 76 |

LIST OF ABBREVIATION

| | |
|-------|--------------------------------|
| Disb. | : Disbursement |
| Fig. | : Figure |
| FY | : Fiscal year |
| Ltd. | : Limited |
| NRB | : Nepal Rastra Bank |
| r | : Coefficient of correlation |
| r^2 | : Coefficient of determination |
| Rs: | Rupees |
| SBL | : Siddhartha Bank Limited |
| T.U. | : Tribhuvan University |
| % | : Percentage |

CHAPTER – I

INTRODUCTION

1.1 Background of the Study

Financial institution occupies the crux role in development of the nation. It mobilizes the fund scattered in the economy and mobilizes them to the productive sector like agriculture, industry, trade and commerce etc. integrated and speedy development of a country is possible only when competitive banking services reach nooks and corners of the country.

Banking is an important branch of economy. It is one of the leading sectors for economic development. The primary goals of every developing nation including Nepal are to achieve rapid economic development to promote the welfare of people and the nation as well.

Banking system is necessary to offer institutional services of promotion, underwriting finance and investment. The various functions performed by banks for the economy are of great economic significance for the economy, which can influence together the saving of the community and arrange for their productive use by providing short as well as long term loans in different forms necessary for the trade and on behalf of their customer and in turn they are paid for their services.

Banking is regarded as the back bone of economy to achieve fast economic development by mobilizing the available resources and channelizing capital to the productive sector of the economy. Commercial banks are established with the intention of encouraging the commercial sector of the country because the country's well developed commercial sector invites the healthy economic state into the return.

Financial intermediaries are generally classified into three broad groups: Banking, Non-Banking Financial Institution (NBFI) and other institution in

financial activities. Apart from these, Nepal has still a large money market in informal sector. These include money lenders, merchants and traders. The Non-Banking Financial Institution in Nepal can be categorized as: Development Bank, Finance Company, Co-operative Society, NGO's involved in lending activities, Postal Saving Banks, Credit Guarantee Corporation, Employ Provident Fund, Nepal Stock Exchange Center, Citizen Investment Trust and Insurance Companies.

Economic liberalization initiative for privatization were launched in 1990s decade with the formulation of higher level of privatization commission to stimulate economic growth by enhancing the role of private sector get opportunity to enter into financial sector to support the economic prosperity of the country.

Commercial banks are the financial institutions which deal with other people's money. It collects idle and scattered money from the general public and finally invests in different enterprises of the national economy that consequently help in increasing employment and minimizing disparity in the distribution of income, health and opportunities between the rich and poor section of the society and the country as a whole. Thus today's concept the financial institution and commercial bank has become one of the bases for measuring the level of economic development of nation. The commercial banks supply the financial needs of modern business. They provide the working capital required by trade and industry in their day to day transaction. Commercial banks grant loans in the form of cash credit and overdraft. Similarly it renders a number of subsidiary services such as collection of bills and Cheques, safe keeping of valuables of their customers etc. a commercial bank is a profit making for its shareholders. Commercial bank should be careful while performing the fund collection and its mobilization. Nepalese commercial banks lag behind fulfilling the responsibility to invest in the crucial sector of the economy for upliftment of national economy. Thus, the problem has become very serious, One in developing country like Nepal, which can be

solved through formulation of sound and effective deposit collection and investment policy. Good policy ensures minimizing risk and maximum amount of investment to all sectors with proper utilization.

Siddhartha Bank Limited with share capital of 60% of the local promoters and 40% of the general public was established on 28th September, 2001, but it started its operation only from 24th December, 2002. Its head office is in Kathmandu. Now, it has authorized capital of Rs. 3000000000, issued capital of Rs. 1428300000 and paid up capital of Rs. 952200000. There are eight members in Board of Director, six members from promoters groups and two members from ordinary shareholders from election. All activities depends on the board of director except rules and regulation made by NRB.

Siddhartha bank has 38 branches all over the country with its motto our business is to understand your business". Its primary aim is to extend a truly magnificent service. It has committed to assist in the economy development of the nation. Siddhartha bank has lunched customized loan product to suit their customer requirement like business loan, home loan, education loan, personal loan etc. Siddhartha bank has also provided different deposit scheme like Siddhartha mega saving, Siddhartha Bachat, Samridhi Nichep Bachat,. Siddhartha bank provides services like corporate financing, personal and retail banking, remittance, news and publication, cash management, and EMI calculator.

1.2 Focus of the Study

The study aims at analysis of deposit collection, loan disbursement and loan recovery pattern of Siddhartha bank limited by using descriptive and analytical research design. The reason for the selection Siddhartha bank for the study is because it is one of the leading commercial bank with its fast growing record of accomplishment. The study is concentrated on deposit and loan volume. Thus, whole energy and effort concentrated on analysis of Siddhartha bank limited's deposit collection, loan disbursement and loan recovery.

1.3 Statement of the Problem

Now a days a large number of financial institution are establishing day by day in Nepal. The growing competition among financial institutions effect Company's deposit collection, loan disbursement and its effective functioning. The main objective of the finance company is to earn profit. Deposit collection providing different kind of deposit scheme, loan disbursement on potential sector and objective loan recovery is sources of profit, without deposit collection company could not disburse loan in large scale and without effective loan recovery, the loan could not effective. Inefficiency and weakness is traced out within the frame work of Siddhartha Bank Ltd deposit collection, loan disbursement and loan recovery. This study attempts to solve the following research questions.

1. What Kinds of deposit scheme is there in the company?
2. How does the company disburse loan?
3. What is the growth rate of deposit collection, loan disbursement, loan Repayment and outstanding loan?
4. Is there any significant relationship between the loan disbursement and outstanding loan?

What is the secure area for loan disbursement?

1.4 Objectives of the Study

The fundamental objective of the study is to gain on insight into the deposit collection, loan disbursement, loan repayment and outstanding loan of the company. The specific objectives of the study are as follows:-

1. To analyze the type-wise deposit collection.
2. To analyze the process of loan disbursement.
3. To find out the growth rate of deposit, loan disbursement, loan repayment and loan outstanding.

4. To know the relationship between loan disbursement and outstanding loan.
5. To identify the secure area for loan disbursement.

1.5 Significance of the Study

This study mainly focuses on loan disbursement, loan repayment, loan outstanding and deposit collection of the Siddhartha bank ltd. Data are collected and analyzed to the performance of bank in term of deposit collection, loan disbursement, loan repayment and loan outstanding in its working area. Problem of loan disbursement, loan repayment are addressed. So this study helps for the formulation and implementation of policy under banking sector.

1.6 Limitation of the Study

1. The study focuses on deposit collection, loan disbursement, repayment pattern and outstanding loan of company.
2. The study based on secondary data.
3. The study covers only five years period.(061/062 to 065/066)
4. Limited tools and techniques are used.

1.7 Organization of the Study

This study is organized into five chapters- Introduction, Review of literature, Research methodology, Data presentation and analysis, Summary, conclusion and Recommendation.

Introduction chapter is presented in first chapter, which is sub-divided into seven heads. They are background of the study, focus of the study, statement of the problem, objective of the study, significance of the study, limitation of the study and organization of the study.

Review of literature is presented in the second chapter which is sub-divided into two heads. They are conceptual review and review of related studies. Conceptual reviews are further divided into seven heads. Research review is related on related books, journals and literature from previous thesis.

Research methodology is presented in the third chapter which is sub-divided into introduction, research design, population and sample, nature and sources of data, data collection techniques, delimitation of the study methodology etc.

Chapter fourth deals with presentation and analysis of data, Major findings through a definite course of research methodology

Finally summary, conclusion and recommendation is presented in the fifth chapter.

CHAPTER –II

REVIEW OF LITERATURE

This chapter is basically concerned with the review of literature relevant to the deposit collection, loan disbursement and recovery patter of Siddhartha bank ltd. Every study is very much based on the past knowledge. The review of literature is critical aspect of planning of the study. So, reviews of these ideas are important to know what kind of gap exists in the literature. This chapter is divided into two following heads:-

1. Conceptual Review
2. Review of related Studies

2.1 Conceptual Review

Conceptual review provides knowledge about some theoretical aspect related to the subjects' matter of the research.

2.1.1 History of Banking

In the east, it is believed that banking was practiced at the time of "manu" as it is referred in Manusmriti. There is an opinion that it was practiced during Chanakya's too, as banking has been mentioned in "Kautilya's Arthasastra", which is the first bank on economics.

In the west, the history of banking is ancient Greece, Rome and Mesopotamia. The Lombards, who were originally from the plains of Lombardy of Northern Italy, introduced banking practice of England. These Lombards brought this business to the city of London and their home, the Lombard Street, is still the center of British Banking. The Lombard, after a century or so of business in London, was eventually bankrupted because they lent money to kings who did not repay them.

After the Lombard, the goldsmiths practiced banking as a sideline to their normal activities in the bullion and jewellery fields. The early goldsmiths used to have large vaults, which were soundly built and heavily guarded. The person who deposited his surplus fund with the goldsmith became as a "Depositor" and naturally paid for the privilege of having his money defended this way. These payments wcalled 'Bank Charges'. The depositors who needed funds to pay wages or debts, could call at the bank and collect such sums as required.

Modern banks history begins from Bank of Venice established in 1157 AD, Bank of Barcelona established in 1401, Bank of Genoa established in 1407, Bank of Amsterdam established in 1609 and Bank of England, which was established in 1694.

The ancestors of modern day banks have been attributed to the merchants, the goldsmiths and the money- lenders.

In almost all countries the logical order of the development of stage starts from rudimentary economy in which the commodity money such as gold and silver coins generally accepted as a means of payment. This history of banking in Nepal may be describes as a component of gradual and orderly evolution in the financial and economic sphere of the Nepalese life. The existence of unorganized money market, landlords, rich merchants, shopkeepers and other individual money lender have acted as barrier to institutional credit. Though establishment of banking industry was very recent, some crude bank operations were in practice even in the ancient times. In the history of Nepal, it was recorded that the new era known as Nepali Sambat was introduced by Shankardhar, a sudra merchant of kantipure in 879-880A.D.,after having paid all the outstanding debts in the country. This shows the basis of money lending practice in ancient Nepal. Towards the end of 8th century Gunakam Dev had borrowed money to rebuild the Kathmandu valley. In 11th century during malla regime there was an evidence of professional money lending and bankers. It is

further believed that money-lending business, particularly for financing the foreign trade with Tibet became popular during regime of malla's.

At the end of 11th century, Jayasthiti malla, the ruler of Kantipur classified the people in difference cast based on their occupation. "Tanka Dhari", one of the categories of the people who worked as a money lender. Tanka Dhari invested their money on needy person by charging some interest. It was quite popular during the regime of malla's. It was further believed that the money lending business particularly for financing the foreign trade with Tibet was quite popular during the regime of malla's. But in the essence of regulation on interest rate some lender were known to have charged high interest rate and other extra charges. The development of market is seen only in the last stage. The establishment of the "Tejaratha Adda" during the year 1877A.D. was fully subscribed by the government of Kathmandu valley, which played a vital role in the banking system. The Tejaratha Adda distributed credit facilities to the public especially on the collateral of gold and silver. Hence the establishment of Tejaratha Adda could be regarded as pioneer foundation of banking in Nepal.

2.1.2 Concept of Commercial Bank

Banks are organization whose principal operation are concerned with the accumulation of the temporary idle money of the general public for purpose of advancing to other for expenditure. Commercial banks are those financial intermediaries in collection and disbursement of funds from surplus units to deficit unit.

According to the commercial bank act 1974, commercial banks means, a bank which operates currency exchange transaction, accept deposit, providing loans and performs dealing relating to commerce and agricultural, industry of likely any other specific objectives.

Commercial banks is co operative who accepts demand deposits subject to check and make short term loans to business enterprises regard less of the scope of its other services.

Among different financial intermediaries, commercial banks are also the major ones. Integrated and speedily development of the country is possible only when banks occupy quite an important role in the frame work of every economy because it provides certainty to the industry, business and capital for the development of industry, trade and business investing the fund collection as deposit.

2.1.3 Development of Commercial Banking in Nepal

In Nepal, modern banking starts from the establishment of Nepal bank limited on November 1937. It laid the foundation of modern financial system in Nepal. It was a joint venture between government and the private sector. After then, the Nepal Rastra Bank came into exercise as the central bank on 26th April, 1956.

It had authorized capital of Rs.10 million fully subscribed by the government. It was empowered by act to have direct control over financial institution within the country. It started issuing currency in 1959A.D. The second commercial bank i.e. Rastriya Banijya Bank was established in 1966A.D.

Besides Nepal Bank Limited and Ristraya Bnijya Bank, other commercial bank did not come into existence until 1984 A.D. The commercial banking act 1974 was amended in 1984A.D. to increase the competition between commercial bank as per the provision made in this act; private sector (including foreign investment) was given freedom in opening commercial bank, consequently. As a result, Nabil bank ltd. The then Nepal Arab bank ltd. was established in July 12, 1984 with the partnership of Dubai bank ltd., Dubai.

2.1.4 Function of Commercial Bank

American institute of banking has, fixed out four major function of commercial bank. Receiving payments, handling payments, making loan and investment and credit money of extension of credit.

The modern commercial banking transaction starts from the deposit made by the general public and other organization. The amount received by the bank as deposit will be invested in the profit earning sector like advancing loan, agency function, purchase and sale of foreign exchange of commercial banks are as follow:-

1. Accepting of Deposit

Commercial banks accept deposit from the public under saving account, flexi account and other account. The commercial banks are fully authorized to collect the fund from various sources. In addition, the accumulated money is disbursed in the productive sector by providing credit that helps the banks raise their fund more effectively.

2. Agency Functions

There are various agency services rendered by the commercial bank.

- Transfer the fund
- Collection of customer fund
- Purchase and sale of shares and securities for the customers.
- Payment of insurance premium
- Trustee and executor
- Acts as correspondent

3. Disbursement of Loans

The primary function of the commercial bank is providing credit facility to borrow. Bank lending contributes a lot to the economy in term of financing, agriculture, industrial and commercial activities of the nation. There are various

- Cash credit
- Overdraft
- Demand /term loan
- Trust receipt loan
- Bill /chesque purchase/Discount

4. Facilitating Foreign Trade

The commercial bank efficiently arrange for the amount of foreign exchange required by business organization. Moreover, foreign trade transaction have facilitated by the issuance of commercial letter of credit.

5. Consultancy

Banks are large organization. They can expand their financial, legal and market experts to provide advices to trade, income, tax etc.

6. Remittance

Banks provides the facilities of remittance to the customer and earns some service charge. Generally, a bank provides such facility through cheque, bank drafts, and letter of credit etc. remittance play an important role in the modern national as well as international trade.

7. Bank Guarantee

Customers are provided facility of bank guarantee by modern commercial banks when customers have to deposit certain fund in government offices or court for specific purpose such as legal case, bank can present itself as the

guarantee for the customer instead of depositing fund by customer. Bank provides such facility in their account.

2.1.5 Objective and Importance of Commercial Bank

Commercial banks brings into being the most important ingredient of the money supply, Demand deposit through the creation of credit in the form of loan and investment. Commercial bank performs a variety of objective and importance which are as follows:-

1. Freedom from Exploitation of Economy

Before the starting of banking system in Nepal merchant trader, goldsmith and money lender used to provide loans to the money borrower by keeping gold, silver and land as mortgage and charged high interest rate on it. Due to this interest rate money borrower has to sell their assets in low price. This causes high distance between poor and rich people. Therefore, the objective of the commercial bank is to establish organization banking system to make public free from exploitation of economic.

2. Mobilize Saving

Depositors are inspired to save their deposits in bank because of interest provided by bank. Depositors increases to deposit their saving in bank if the bank interest rate provided by bank is higher and vice versa. Therefore, the objective and important of the bank is to mobilize the saving in the productive area.

3. Capital Formation

One of the most important objectives of commercial bank is to increase the rate of capital formation. Bank collects the idle cash from public and distributes it to the needy trader, business, house and government as loan. This activity increases the expected investment and increase the rate of capital formation.

4. Foreign investment

Commercial bank plays an important role in attracting foreign investment by familiarizing the (i.e. multination companies, organization, institution, and bank) with relevant Nepalese financial rules and regulation and practices through their publication.

5. Banking Techniques

The commercial bank in Nepal begs the credit for the investment of new banking techniques, such as hypothecation and syndicating under the guidance of NRB. Other area of expertise are forward cover for foreign exchange transaction by important and securities, arranging foreign currency loan etc. these and other innovation techniques in the international banking system have been introduced to NRB by financial institution, commercial bank and joint venture bank.

2.1.6 Concept of Deposit

Deposits are the main source of fund by providing certain rate of interest, commercial bank call for the deposit from the customer. There are different types of deposit accepted by bank but current, fixed and saving are mainly three types of deposits. These different types of deposit are use for lending the money to different sector such as agriculture, productive work, trade and industry. The deposits will be lead to increase the working capital of the bank. So in a developing country like Nepal deposit have played a significant role for the development of the country.

Commercial bank act 1974, defines, deposit as the amount in a current, saving or fixed amount of bank of financial.

The deposits function of the bank is important because it has to aggregate small sums of money lying scattered here and there, twenties, fifties and hundreds.

Singly these sums have no economic efficiency what so ever. But they can accomplish task when they are aggregated and employed by the bankers.

We may think of a deposit as something that has been turned over to some else for safe-keeping. The person receiving whatever to as hands over assumes a responsibility, he gives something, a promise.

The depositors of a bank are affected by various factors. They are as follows:-

- Types of customers.
- Physical facilities of bank.
- Management accessibility of customers.
- Types and ranges of services offered by the bank.
- Interest rate paid to deposit.

Basically deposits are categorized in three headings for accounting and financial analysis purpose but there are other deposits too.

1. Fixed Deposit

Fixed deposit is also known as time deposit, bank offers fixed interest rates on this deposit and repayment principal together with interest at fixed maturity or pay interest on regular interval but principal only at the maturity.

Under this account, the deposits are receive for fixed period which varies from 3 month, 6 month, 9 month, 1 year,5year etc. money deposited into this account is repayable after the expiry of the fixed period. Rate of interest in this deposit is very high. Customer usually lodges their money as fixed deposits with bank with a view to earn high interest as well as to with draw the some on the expiry of the stipulated period in case they happened to require it either for meeting certain expenses or employee it in a more remunerative.

Features of Fixed Period Deposit

- The amount cannot be withdrawn by cheque in this deposit like in other current and saving deposits.
- Usually, the interest is awarded every 3 month in this deposit.
- The customer can renew the fixed period deposit after the expiry of the fixed time.
- The bank can invest the money of the fixed period deposit in another sector.
- The fixed period deposit opened for a certain time. Such duration of time can be from 7 days to 5 year or more than 5 years.
- The rate of interest in the fixed period deposit is higher than that of other deposits.
- The principal amount with interest must be renewed to the customer after expiry of fixed time.

2. Current Deposit

A current deposit is a deposit that can be withdrawn on demand at any time and in any amount up to the full amount of the deposit. These types of account are generally opened by the business man who stands in need of money regularly. Under this account the customer is allowed to make frequent use of his account i.e. to deposit or withdraw money as and when he/she likes. No interest is allowed by bank on current account deposits. These deposits are also called demand deposit.

Features of Current Deposit

- Under this deposit, the customer can get the payment until there is balance in his account as many as cheques are sent to the bank.

- No interest is given on current deposit.
- A bank should keep enough balance because the bank should pay the large amount at account holder's demand.

3. Saving Deposit

Bank accepts saving deposits from individual and non –profit making organization. Purpose of saving deposit is to encourage the habit of saving among the common people and institution. Saving deposits attract interest which is normally less than the long term deposit but more than that of short term deposit.

The commercial banks accept deposit from public also under the saving account. These accounts are opened to promote the saving of middle class and lower class people. Under this account the depositor can withdraw money once or twice a week only, the amount that can be withdrawn by the customer at a time shall be limited. The interest allowed on saving deposit is lower than interest allowed on fixed deposit. The bank supplies pass book or bank statement which must be presented along withdraw of money from customer. Most of the bank allows withdraw by means of cheques and ATM.

Features of Saving Deposit

Usually, the interest is given every six month.

- The bank can submit only one cheque in a day or twice or thrice in a week.
- In the absence of pre-information, the bank may refuse to give the payment, it may take some charge as a fine to give deposit, when customers have to withdraw large amount of money.

If the bank goes into liquidation more priority is given to the saving deposit than current and fixed deposit in the payment of liability.

4. Call Deposit

Call deposit incorporates the characteristics of current and saving deposit. Current in the sense deposit is withdrawal at any time and saving in a sense the deposit earns interest. The companies not entitled to open saving account can open call account. Interest rate on called deposit is negotiable between the bank and the depositor and hence, is normally not published/announced in public. Interest rate is not applied on daily average balance withdrawal restriction is not imposed on call deposit but the balance should not go below on agreed level.

5. Recurring Deposit

It is a scheme, in which, the amount deposited in small fixed installment for up to a fixed period of time, at a given interest rate, provides a lump sum amount at the end of the maturity period. People, having small regular incomes are encouraged for this type of deposit. In essence, its motive is to encourage saving thrift among the public. In this type of deposit accounts, the installments are fixed on daily, weekly, or monthly basis. It is very expensive to maintain this type of deposit account. So banks hardly entertain such accounts.

6. Flexi Deposit

This type of deposit accounts has mix feature of demand deposit and fixed deposit. It is named flexi deposit because it carries the flexibility of demand deposit while withdrawing fund and earns interest similar to that fixed deposit account. Flexi account is relatively new type of account which has succeeded to attract large deposit from individuals and cash rich parties. The chief advantages of such account to the customer is they open only one account and do not have to come to the bank for opening term deposit accounts or cancelling term deposit for meeting the shortfall in the saving /current account.

Features of Flexi Deposit

- Only one account either current or savings account is opened.

- Term deposit receipts are not issued and such deposits are recorded only in the bank's book.
- Once the quantum of deposit in savings or current crosses pre-agreed level, such surplus amount is automatically transferred to the term deposit account.
- Whenever there is a shortfall in current or saving account the required amount from the fixed deposit account.
- When fund is reversed from term deposit, the proportion reversed amount earns lower interest rate due to its pre-mature payment. However the remaining amount in term deposit continues to earn the pre-arranged (original) interest rate.

2.1.7 Deposit and Lending Trend

Deposits are the main sources of funds. By providing certain rate of interest finance company collects deposit from the customer. Usually fixed deposits are used for lending the money to different sector such as housing, leasing, industry and trade. The deposit will lend to increase the working capital of the company. The commercial banks are authorized to receive deposits from the public and to transfer to economic upliftment of the country by offering loan and advance to the needy people, who are in position to use it for productive purpose.

Lending is one of the main functions of the company. Only the acceptance of deposits is not sufficient for the company but it should refund the deposit including certain rate of interest. So it is significant task of the company to utilize the deposit in the proper way where it can earn profit. Without the proper utilization of deposit, it will not be in position to return the money to the customer. But the lending is not simple and easy rather it is very risky.

2.1.8 Terms and conditions to disburse loan

There are few reasons for inquiring various terms and condition in extending loan to any firm or person , in order to keep their loan safe and to be repaid in time. Different financial institution have different terms and conditions to suit their own situation, which fulfills the purpose in the prevailing economic, social, political and other environmental factors.

However, “safety, liquidity and profitability are the prime, consideration for bankers to formulate advance policy.” with this view in mind, the company imposes following terms and conditions:-

1. Amortization Period

Every loan does have certain amortization period. Any sort of loan extended by company should be repaid within a stipulated time. The borrower facing problem to repay the loan with in the amortization period, company takes some sort of action. The fixation of amortization period is very crucial task. Any kind of mistake in fixation of this period creates so many problems in making loan repayment. However, the amortization period of fixed on the basic of expected earning capacity of the firm/person as revealed by the financial statement like cost, sales and profitability statements.

2. Interest Rate

As much as loan delay in making repayment of principal dues, so much will be movement, the longer the delay in making repayment of principal dues, higher will be movement in the total amount of interest to be paid along with principal amount. And so, if the borrower can repay the loan earlier, the amount of interest to be paid will be decreased. Thus, in such situation we can take the interest rate as a stimulant of facilitating quick and timely repayment.

3. Security

The first thing, which company generally looks in to is the safety of their loans. And in this most company insist upon adequate security for the loans it provide.

But security is not only thing to go or rigidity of banks should be safety with various technical, managerial, economical and social factor of the project. Because if the project, financial on the basis of security and not with proper care about above mentioned factors, fail to run and default the loan no doubt that the lender or banks can realize the loan amount by selling the securities.

4. Legal Authority to Borrow

Such requirement will of course avoid unproductive and uneconomic project to come up. The breeding of uneconomic and unsound project can be minimized by the way of legal authority to borrow from the related department of ministry of government. But the length and tedious process might also create uneasy on the part of the borrower to come up with genuine project.

5. Soundness of the Project

Technically, managerially and economically sound projects are those, which deserve special interest of the development by banks to necessary financial help. No finance company wishes to waste its resources in an unsound project. It is always as a condition that any business or industrial venture applying for loan with the bank must be sound enough to contribute to the economic development. Every bank or company looks at the first hand that whether the particular project is technically, managerially and timely.

6. Repayment Capacity

Repayment capacity can also be taken as a condition for extending loans. It is considered that the repayment of loan is the ultimate evidence of the right allocation of fund by bank. So bank always thinks about the repayment capacity of the borrower before granting loan.

In this way, we see that the bank and finance company of any country impose several terms and conditions in order to keep their loan safe to make it properly utilized and ultimately to get them reversed in time.

2.1.9 LOAN

Loan is an arrangement in which a lender in which a lender gives money or property to a borrower and the borrower agrees to return the property or repay the money, usually along with interest, at some future point in time.

Loan is a written agreement by loan giving person to loan receiving person for a temporary transfer of money or property from loan giving person to loan receiving person. To a receiver who promises to return money according to rules and regulation of agreement, usually with interest for use of that money. If the loan is returnable on the demand of loan receiving person, this type of loan is called demand loan. If a loan is returnable by monthly basis by the loan receiving person, this type of loan is called installment loan. If loan is returnable on directly on the expiration or any date, this type of loan is called a time loan.

Loan is also one type of dept; a loan entails the redistribution of financial asset time between the lender and borrower.

Types of Loan

1. Working Capital Loan

A Loan whose purpose is to finance everyday operation of a company . A working capital loan is not used to buy long term assets or investment, Instead it's used to clear up accounts payable, wages etc. Short term business loan financing the purchase of income generating assets, principally inventory.

Working capital loans are generally written with lending terms requiring full payment within specified periods, such as 60 days, 90 days, 180 days from the date the funds are advanced.

Sub division of working capital loans are as follows:

i. Overdraft

An extension of the credit from a lending institution when an account reaches Zero. An overdraft allows the individual to continue withdrawing money even the account has no fund in it. Basically the bank allows people to borrow a set amount of money. Credit issued by a bank if a check is written on an account that does not have sufficient money to cover it and the bank chooses to approve the check. Often banks link a customer's saving account or credit card to the checking account to cover overdraft and an overdraft fee will be charged.

ii. Demand Loan

A loan which is repayable on demand.(i.e. without prior notice), rather than on a specified date. Loan with no specific maturity date, but payable at anytime. Only interest is paid until the is paid off, or until the lender demands repayment of principal. The borrower may, however, pay off the loan early, without incurring a prepayment penalty. If the funds are advance to a broker, it is referred to as a call loan.

iii. Trust Receipt

Written agreement used extensively in letter of credit, often extended to a buyer or other importer of goods. The buyers promises to hold the property received in the name of the bank arranging the financing, although the bank retains title to the goods. Trust receipts allow an importer to take possession of the goods for resale before paying the issuing bank.

iv. Time Loan

A loan to be paid within or by a specified time. Short term business loan that is payable in full at a specified maturity date eg 30,60,90,180 days. Interest on this type of loan originally is deducted (discount) in advance when the loan is

made. It differs from a demand loan in that the lender cannot call or demand repayment of a time loan before the maturity. Time loans are repaid from turnover of assets, for eg, the sell of inventory or collection of accounts receivable.

2. Term Loan

A bank loan, typically with a floating interest rate, for a specified amount that matures in between one and 20 years and requires a specified repayment schedules. A loan with a maturity date but no amortization. One pays the interest monthly, quarterly or annually, as required by the lender, but the principal is not due until maturity. Term loan of short duration, usually less than one year, may be set as single pay loans. In that case, principal and all accrued interest are paid at maturity.

Sub division of Term loans are as follow:

i. Personal Term Loan

Personal loans are categorized into two types, short term and long term personal loan. The long term personal loan can be available anyone with a favourable credit history. The risk involved in the process of lending long term personal loan is higher. Because of this, the interest rates on this type of personal loan are a bit higher. These loan can be utilized for a number of purpose. One can use this loan to invest in his or her business so that the business can perform well. At the same time, these loan can also be used for consolidating the existing debt, which can be helpful in reducing the monthly expenses. At the same time, these loans can also be used for purchasing different kinds of goods.

ii. Hire Purchase Loan

Loan which are provided for buying goods through making installment payment over time. Under a hire purchase contract, the buyer is leasing the goods and does not obtain ownership until the full amount of the contract is paid.

iii. Home Loan

It's the funds a buyer has to borrow to purchase a property , generally secured by a registered mortgage to the bank over the property being purchased. A home loan requires to pledge home as the lenders security for repayment of loan. The lender agrees to hold the title deed of the property until the loan is paid back with interest.

iv. Business Loan

Loan provided to business for various purpose by a lender. Business loans are those loans which are invested in income generating area. loans which are provided for establishing the industries, project, organization etc.

Mortgage that are given to finance multifamily residential accommodation, construction and other developmental projects.

3. Consumption Loan

Consumption loans are loan to individual including credit to finance the purchase of automobiles, home appliances and other retails goods to repair and modernize homes, covers the cost of medical care and other personal expenses either extended directly to individual or indirectly retails dealers. Maturity period is one or more than one year. Generally, these loans are invested in non profit generating area. Sub-division of consumption loans are as follows

i. Vehicle Loan

A loan that is granted for personal use to purchase an automobile i.e. to purchase, repair and maintenance of vehicle like motor-bike, car etc.

ii. Personal Overdraft Loan

A loan facility on a customer's account at a financial institution allowing the customer to overdraw up to a certain agreed limit for an agreed period.

iii. Home Loan

It is the loan which is provided to purchase home appliances like television, fridge, micro- oven and other raw material and utensil.

2.1.10 Interest Rates on Loans of Siddhartha Bank

The company charges certain rate on various kind of loan, which is called interest rate. The company charges interest rate by providing loan to the customer. So, it is one of the major profit sources of the company. the loan which is provided to the customer, is highly affected by the interest rate. there is inverse relationship between the interest rate and the loans and advances. if the interest rate charged by company is very high, the demand for the loans and advances will be low and if the interest rate is very low then demand for the loans and advances will high.

When the company charges the interest rate it should cover:

1. The cost of the fund loans.
2. The cost of services for different kinds of loans.
3. A reasonable margin of profit.

A rate of interest charged by Siddhartha bank for different types of loan is fixed by Siddhartha itself. The rate of interest on loan of Siddhartha is 15% to 16 %.

2.1.11 Security and Margin Requirement

Siddhartha wants that its loan to firm / person are adequately secured. It requires a liquid able mortgage on lands, buildings, vehicles and fixed securities, loans are secured by fixed securities and assets of individual borrowers. The volume of such security is determined by the company according to the prevailing market price and keeps a minimum margin of thirty percentages (30%) of loan. the policy of Siddhartha is admirable.

Even the margin of thirty percentage on loan is justifiable because of the price of security may go ups and downs (during the loan period) within the repayment period.

2.1.12 Loan Recovery Procedure of Siddhartha Bank

Loan is defined as the amount expected to be repaid with interest. In each loan modalities for repayment is mentioned which is affected by the nature of debt. In case of term loan and higher purchase loan repayment is received in the form of installment as per prefixed monthly schedule. While in case of working capital, interest is paid monthly while principle is paid at any time before expiry of the facility.

Company's ability to provide continued credit service depends upon the record of loan collection. Due to the limited nature of institution resources, satisfactory repayment of debt is important for the smooth functioning of the entire credit machinery. Their collection of due loan in time is an important aspect of the company. This determines the further expansion of company's activities. If the customer repays the loan in time, the company gets chance to mobilize that collected amount in other profitable areas. Indeed collection aspect it's more important and default than loan disbursement in time. Efficiency of the company is measured by the extent to which it collects the amount of due loan in time.

The customers can get some direct and indirect benefits if they follow the repayment rules and regulation of the company. Firstly, the company helps such customer by granting necessary additional loan. Secondly, the customer is supposed to be confidential and respectable person in the eyes of the company and society. Thirdly, economic burden of such customer tends to decrease. Finally, their assets increase in near future. On the contrary, if a customer is unable to repay amount of loan in due date, the customer is compelled to pay some monthly penalty as a punishment. Thus, the company has considered the principle of prize and penalty. Generally, the laborious and efficient customer are supposed to be winner and the inefficient customer who neglect their occupation is penalized. As a result, the first category of customer will also work in their business with heart and soul. The provision of prize and penalty system leads to competition among the customer to utilize the amount of loan in most effective manner.

All the customer of company are not good so the loan classification is based only overdue loan of previous year and to overdue of this year. From the classification of loan following are the action to be done.

- a. First Reminder Letter: After one month of the due date, a reminder letter is send and offered him to pay the loan as soon as possible.
- b. Second reminder letter: from the classification of loan this type of loan is overdue and after a month letter is send again the customer to pay the overdue loan immediately and retain good relation.
- c. "Notice of 35 days" publishes on newspaper: after the above action, if the loan amount cannot repayment, the company published the notice into newspaper for the collection of loan within 35 days. but an information letter should be send before the notice published or after 60 days of second reminder letter. a copy of newspaper send to the loan holder and the receipt letter should keep in his file. if the loan holder pays satisfactory amount within 35 days the company can stop the forward process.
- d. Auction of collateral: after 35 days of notice if the loan holder not paid the amount of company, the auction is begins. In a field office there is a loan committee representing by manager, chief of loan and account. Assistance of loan collection division first of all, the collateral which was secured by loan is revalued and the project also inspection. From the report of revalued and inspection, loan committee of office decision to auction to collateral, after the decision, the process is run to central level auction of collateral committee.

The committee fixed the date of auction and decision to auction the collateral. After the decision, the information of the decision should be sent to the loan holder or his family within three days. Company publishes the notice of auction in national newspaper after seven days of decision, giving the information about auction place, date, time and collateral also.

If the revaluation of collateral on auction time is less than the loan amount, only collateral revalued amount of loan is processed of auction and other rest loan is collected from other law process.

On the date of auction, the person who wants to give higher amount, he pays the loan and company would provide the collateral on his name. But if no one wants to call the amount the auction date will transfer in further date or the company can own the collateral itself.

If the loan holder applies the additional time for payment the loan, the company can stop the process of auction for maximum six month only the reality of the application. The loan committee of the office can stop the process for maximum 6 month but the loan holder should payment the certain amount of loan in the time.

On the date of auction, if the loan holder pays only 25% of the loan amount, the auction committee can postponed the process for 2 month. After the postponed time the loner cannot chance to postponed second time and further process of auction are not necessary for him, the competition is bidding committee can auction his collateral at the fixed date.

If the loan cannot repayment by the effort of company, the company can appeal the case of loan collection court of justice, which is accountancy. The application should be given for overdue loan before this act within three years and after the act within three year from overdue date. The company should be paid 0.25% claimed amount for loan collection charges with the application. Within 15 days from application, the court of justices declares the case. After the order receiving from court the loan collection officer should collect the loan from loan holder and pays to the bank or financial institution for this he could adopt following procedures:

- a. Adopting or auctioning the pledged secured or other fixed and current assets of proprietor.

- b. Adopting or auctioning the fixed or current assets of guaranteed person.
- c. To arrest the kept in jail for the loan holder (proprietor) or guaranteed person according to laws.

After the receiving the loan amount the company should pay 1% of loan to court of justices as a loan collection charges.

2.2 Review of Related Studies

This sub-section is concern with the previous research work done by the different scholars.

2.2.1 Review of Related Books and Journals

Banks are such type of institutions, which deal in money and substitute for money. They deal with credit and credit instrument. The most important thing for the bank is good circulation of deposit and credit. Fluctuate flow of credit and weak decision harms the whole economy and the bank as well. Thus, to collect fund effectively and its well utilization is very challenging task for the bank. The decision of an investment fund may be the question of life and death for the bank.

Bhandari, define the word deposit, deposit is the source of capital for the commercial bank, it's dividend, fixed, saving and current deposit. Bank, flows such amount as loan and investment in different sector to earn a profit.

In the word of Garg, Deposit may also out of loan grant by the bank or through the process of discounting customers' bills.

In the case, they are known as, credit deposit and in actual practice the amount of such deposit is much larger than from of right to receive cash.

He added, deposit may right to receive cash. These may be in the form of cheques, bills, promising notes etc, owing to them. What the bankers do in these cases is that he collects them and credits, the customer's account with the proceeds.

According to Singh, Deposit provides most of the raw material for bank loans. It represents the ultimate sources of bank profit and growth. Deposit generates cash reserve, the excess cash fund, a bank holds is lent to borrow. Thus, deposit creates loans. The management should be able to use the deposit efficiently.

Pradhan, in his article entitled, deposit mobilization, its problem and prospects have presented that deposit is the lifeblood of every financial institutions (commercial bank, finance company, co-cooperative or non government organization) .He has further added in consideration of most of banks and finance companies. The latest figure does produce a strong felling that a serious review must be made of problem and prospects of deposit sectors.

He has highlighted following problem of deposit mobilization in Nepalese context.

1. Most of the Nepalese people do not go for saving in institutional manner due to

The lack of good knowledge; however, they are very much used of saving be it in the form of casher ornament. Their relevance to deal with institutional system is governed by the lower level of understanding about financial organization process with draw system, availability of deposit facilities and so on.

2. Unavailability of the institutional services in rural areas.
3. No more mobilization and improvement of the employment of deposit and loan sector.
4. Due to lesser official hours of banking system.

Paudel, banking: challenge ahead focuses in the potential areas where bank should invest to right the prevailing economic recession. Currently, growth in the profitability of joint venture banks has been mainly due to external factor such as the foreign exchange rate but to the growth into real sector of the economy. Therefore, to sustain the current financial position in the long run,

bank should enter new areas by marketing their credit in important sub- sector such as hydro electricity, tourism, irrigation etc.

Paudel future writes that saving collection is another factor which is necessary for banks to balance their operation and generate sufficient in their cash flow. In recent year, growth rate of banks deposits has declined to about 16% compared against 23% of the past mobilization of internal resources in the country demand that banks attracts more financial resources from the public.

Shrestha, in her article, lending operation of commercial bank of Nepal and its impact on GDP has presented an analysis of contribution of commercial banks lending to gross domestic product (GDP) of Nepal. in her setting hypothesis, there has been positive impact of lending of commercial banks to the GDP as the dependent variable and various sector of lending i.e. agriculture, industrial, commercial services and general and social sector as independent variable. A multiple regression techniques has been applied to analyze the contribution.

Expert service sector lending the multiple analyses has shown that the entire variable has positive impact on GDP. In conclusion, she has accepted the hypothesis i.e. there has been positive impact by the lending of commercial banks in various sector of economy.

Nepal (2001) published an article "Home loan making real estate business attractive" where he explained about the housing loan. Which is more popular than other loan. Housing loan is the one loan which is provided by commercial bank. The writer focuses that real-estate business is increasing rapidly in Kathmandu valley. Securities, remittance from foreign country are reason of real-estate business. The history of housing loan in Nepal is very short within a three pears period, many banks are introducing for housing in Kathmandu. By understanding this general notion of the people, banks are financing for having so that people can purchase building in the early days. While extending this type of loan, bank will simply see in the income of customers. It takes hardly ten to twelve days for loan processing. He writes that this scheme is becoming

more profitable from the angle of banks and at the same time less risky. The default of non-repayment is very less.

Dahal and Dahal (1999) wrote "A Hard book of banking", write about the credit policy of the banks. They opine that the factor like directive, deposit mix, competition and quality of lending officers. A sound credit policy should be based in the objectives like having good assets, contributing to the economic development, giving guidance to the lending officers, and establishing a standard for control. The proper implementation of such policy is ensured by periodic follow-up. This helps take corrective action if any drift between actual and standard is seen. The corrective action may vary as per the nature of deviation from proper education to lending officer to amendment of policy.

Klisse (1978) given in his view in his book. " money and banking" that in an economy depends more and more on credit, banks find themselves lending for a variety of purpose, sometimes directly, sometime through other agencies. This wider use of loan is not due merely to a change in attitude of the banks. It reflects also more fundamental changes such as shifts in the public's consumption pattern and in financial investment policies. He further on lists the four's of credit as characters capacity, capital and collateral. He suggests that the most obvious thing for the creditor to investigate is the borrower's past attitude towards his obligations. He calls this attribute, characters". If the prospective borrower is considered a good risk from the standpoint of character, he still cannot be safely extended credit unless he appears able to make repayments. This clarifies the importance of the borrower's capacity. For larger loans or other extension of credit, that he already has resources of his own. Sometimes, but not always the debtor fails to live up to his agreement, the creditor sells the collateral and uses the proceeds to cancel the credit.

Campbell and Cracow (2000) in this book, "The banking industry" has historically faced two fundamental, interrelated problems that have made regulation necessary. The problem arises from the basic structure of the bank balance sheet: banks are highly leveraged with short term, highly liquid debt known as deposits. The first problem is that the short maturing or highly liquid

matures of deposits. The first problem is that short maturity or highly liquid matures of deposits means that banks are constantly exposed to the prospect that some depositors could run on the bank and so force it to attempt to liquidate large amount of its assets or loan. This liquidation can result in losses that and up driving the bank into sin solvency. The second problem is that their high leverage creates an incentive for banks to take on very risky assets, or loans that could also drive the bank into insolvency."

Madura, (1999) has pointed about bank failures. He said that, " The causes of failure is often to one or more of the following characteristics"

First, fraced with in the bank could have existed. Fraced represents a wide range of activities, including embezzlement of funds.

Second, a high loan default percent can lead to failure. Although, banks recognize the potential consequence of a high default percentage, some continue to fail for this reason anyway. A thorough examination of any bank may show a general emphasis toward a specific industry such as oil, shipbuilding, aerospace, agriculture or national defense system that makes it vulnerable to a slowdown in that industry (or related one). Moreover, no matter how well bank diversities its loan portfolio is susceptible to recessionary cycle.

The thirst reason for bank failure is a liquidly crisis. If rum our potential failure for a particular bank circulates, depositors may begin to withdraw funds from the bank, even though the bank is insured by FDIC. The panic can even occur when the remove is not justified. Under these conditions a bank may be unable to attract a sufficient amount of new deposits and its existing deposit accounts will subside, once deposit withdraw/ begin, it is difficult to stop the momentum.

The fourth reason for bank failures is increased competition. Deregulation has made the banking industry more competitive. When banks offers more competitive rates on deposit and loan, the result is a reduced net interest (spread rate) margin and possibly failure if the margin is not large enough to cover other non-interest expenses and losses the fourth reason for bank failures is increased competitions.

Santomero and Babbel (2001) has pointed out, "commercial banks and other depository institutions are in an inherently unstable situation. To some extent, they have liquid assets. Their assets are largely in loans that have fixed future dates for payment; there is little banks can do accelerate the payment in the event that immediate cash required. Their liabilities, on the other hand are largely checking and saving deposits, which in large measure, can be converted to cash and withdrawn immediately. In this sense, they are liquid. This condition provides the fuel necessary for a run and bank and a full-blown banking panic. All that is needed is speak to ignite a run. The speak usually comes in the form of a rumour, which may be true or false, that some economic event has reduced the value of the bank's assets and impaired its ability to meet its obligation to depositors.

This may lead to a panic, where a run at are bank precipitates run at other, inherently healthy, banks. The contagion to other banks arises due to the incomplete information that bank depositors and equity holders have about the soundness of their banks. They know that banks may fail due to deteriorations in general economic condition as well as due to problems that are peculiar to a particular bank. At any point in time, investors have only imperfect estimates as to whether the causes affecting a particular failing bank will have more wide spread impact. As a precautionary measure, they may suck to withdraw their funds from other banks. If enough investor to do this, even the best managed bank will suffer from liquidity problems and panic will ensue. The problem with a panic is not that the weak banks fail but that many of the ones operating on a perfectly sound basis will also fail. The disputation to the economy from such a phenomenon is greater than society is willing to accept.

Thapa (2003) has expressed his articles "managing Banking RBK" bank and financial institutions are fast growing industries in the developed world and also emerging as cornerstones for other developed and underdeveloped nation as well. But the growth the double of the same industry has proved to be a driving force for slowing down the economy in many cases.

He mentions about the various banking risk in this article. The classified risk into two groups.

Diversifiable and undiversifiable, diversifiable risk can be minimized by maintaining an optimum and diversified portfolio but undiversifiable risk is correlated across borrowers, countries and industries. Such risk cannot be under the control of bank and firms.

Shan (2003) article published in Nepali times outlined "The dynamics of consumer banking has crossed the threshold" He has clarified that lender in Nepal are turning towards consumer banking. The prevailing stagnation investment and competition has forced most banks to look at individuals and tailor products for their needs. He has introduced the concept of consumer banking as according to him; prior main utility of a bank was safe-keeping the savings of individual depositors. But today bank means much more than that. It is now looked upon as a provider of financial solutions for individual, which provides products and services that complement their lifestyle. And that is what consumer banking is all about. He has further concluded that historically, bank used to concentrate their lending activities to companies and institutions, but the stagnation of economy and growth of competition has forced bank to look at alternative avenues. Their first foray into consumer lending was with their auto loan. Their main objective is not just to provide a loan to buy a car, but to provide a solution to put the customers in the driving seat as it were.

2.2.2 Review of Related Dissertation

Research review is related to the review of literature on various studies published in different economic journals, bulletins, dissertation papers, magazines, newspapers, websites and other related materials. This helps to achieve clarity in the discussion that follows and guides to adopt the precise measurement of various studies.

Sharma has made a study on “Analysis of loan disbursement pattern of ADB/N.” The main objective were of the study to analyze the purpose wise disbursement, collection and outstanding of ADB/N during the seven years from 1992/93 to 1998/99. This study shows that ADB/N credit was effective to increase agricultural production. After introducing the reform program (Reform program 2054). Since 1997, there are improving service delivery mechanism for quality lending and timely collection, reducing overdue loan and interest receivable increasing repayment rate, cutting down of overhead cost and thereby making the ADB/N financially viable.

Bhatta has presented entitled, financial polices to prevent financial crisis. Has given more emphasis on Nepalese financial market sector.

He has mentioned the financial crisis occurred in china, Mexico, south Asia, Russian federation Ecuador and Brazil and Argentina. This crisis affected all these economic by posing negative effects in their real output. He had also focused on Nepalese financial market, which is directly affected by the national and international even.

In the present context of many parts of the world, the move toward liberalization is getting its momentum on one hand and the process of economic development is being threatened due to various unanticipated incidents. on the other, he has defined a financial crisis is description to financial market in which adverse selection and more hazard problems became much worse, so that financial markets are unable to efficiently channel funds to those who have the most productive investment opportunities.

He has given light on the dynamics of financial crisis dividing in into three stages. Also he has suggested the policies to prevent financial crisis. Following policies are supposed to be applicable for preventing financing crisis.

- Legal and judicial system.
- Prudential supervision.
- Exchange rate regimes and foreign exchange reserve.
- Monetary policy and price stability.
- Encourage market based discipline.
- Reduction of the role of the state owned financial institution.
- Sequencing finance liberation etc.

Thapa has conducted; A study on performance evaluation of Annapurna finance company Limited. The major objective of the study was to evaluate the performance of ANCO, in term of its impact in Pokhara. He has conclusion that finance companies are the outcomes of the government's economic liberalization policy. Allocation of loans and advances by the company doesn't seem as meaningful as the productive sector has not got its due share in the loan portfolio. As compared to housing loan, term loan and fixed deposit loan have got quite negligible share percentages in the loan disbursement of the company. The financial indicators show the liquidity and profitability position of the company is satisfactory. There is a high positive relationship between deposit and investment. Increase in deposit leads to increase in investment portfolio but it is not a proportionate manner likewise, there is a high positive relationship between investment and return. It is true that increase in investment leads to increase in return.

Acharya has conducted; A study on investment and deposit pattern of joint venture banks in Nepal. The objective of this study was to carry out the comparative analysis and evaluation of deposit collection and investment of Nepal Bangladesh Bank Ltd (NBB) and Himalayan Bank Ltd (HBL). This study has covered the time span of fy 1995/96 to 1999/2000. In this study, he has used financial ratios viz. liquidity, profitability; turnover, statistical tools viz. Karl person's correlation coefficient, coefficient of variation and simple average. The researcher found that average fixed deposit to total deposit of

NBB was found to be greater than average ratio of HBL. But the average ratio with respect to short term loan to total deposit of HBL was greater than of NBB. In regard to investment in government securities HBL proved to be better than NBB during the study period. So on the whole HBL was superior to NBB with respect to total investment to total deposit ratio.

Shrestha in her article “Lending operation of commercial bank in Nepal and its impact on GDP”. has presented an analysis of contribution of commercial bank’s lending to gross domestic product (GDP) of Nepal. In her setting hypothesis, there has been positive impact of lending of commercial bank to the GDP as the dependent variables. A multiple techniques have been applied to analyze the contribution.

Expert service sector lending the multiple analysis has shown that all the variable has positive impact on GDP. In conclusion, she has accepted the hypothesis i.e. there has been positive impact by the lending of commercial banks in various sector of economy Baral in his study entitled “Deposit collection and investment pattern of Machhapuchhre Bank Limited”. Concluded that, total deposit collection percentage of MBL is satisfactory. The percentage of total deposit collection, the portion of the fixed deposit has in first rank, call deposit is in second rank and saving deposit is in third. The current and other deposit have a very low contribution in total deposit composition from the study. It has revealed that MBL has invested more funds in other investment in government securities and less portion of loan invested in other companies bond, share and debenture.

While analyzing the deposit pattern, it is found that maximum amount of deposit is collected from fixed deposit which is good result for the bank. So, , the bank is suggested to increase the weight of fixed deposit in total without ignoring other types of deposit and the study shows that trend of sector wise

loan investment is in increasing range. It is recommended to keep wide vision in investment while utilizing their resources and invest in different sector.

Karki has conducted; A Study on Loan Disbursement and Loan Recovery Pattern of Fewa Finance Company Limited (FFCL), Pokhara. During his study he found that average growth rate of deposit collection, loan disbursement and outstanding loan is nearer each other. This indicates that there is neither high liquidity nor low liquidity. So, deposit collection, loan disbursement and loan recovery of FFCL has satisfactory between fiscal year 059/60 to 063/64. Average growth rate of loan recovery has greater than the average growth rate of loan disbursement. This indicates the average growth rate of outstanding has decreased. In case of outstanding loan to compare deposit collection has higher percentage of outstanding loan which shows more satisfactory. There was a high degree of positive relation between loan disbursements with deposit collection, loan recovery and outstanding loan.

Shrestha has conducted; A research on investment portfolio of Pokhara finance Limited. in her study she has analyzed deposit mobilization and investment trends in different sector made by the company. Six year of data from 2055 to 2061 B.S. has been taken into consideration for conducting the research.

The researcher found that the company had high liquidity during the period and has focused more on loan and advance than on other government securities from the study she has concluded that Pokhara finance has to relate to immanence of approximate risk return tradeoff between credit outflow by the way of loans and investment and strict monitoring of its repayment to ensure timely cash inflows.

She further recommended launching demand driven or customer oriented schemes so as to initiate depositors and to focus on diversification of investment.

Palikhe has conducted; A study on performance evaluation of finance company. The major objectives of the study was to evaluate the performance of Annapurna finance company in terms of its impact , both negative and positive in Pokhara. She has concluded that the allocation of loans and advances by the AFCO Ltd doesn't seem so meaningful as the productive sector has not got its due share in the loan portfolio. As compared to housing loan, term loan and fixed deposit loan have got quite negligible share percentage in the loan disbursement of the company. The various financial indicators like current ratio, quick ratio, capitalization ratio, leverage ratio, profitability ratio, return on total assets and EPS have been calculated to measure the financial position of the company. These financial indicators show the liquidity and profitability of the company which is satisfactory. There is a high positive relationship between deposit and investment. Increase in deposit leads to increase in investment portfolio but it is not a proportionate manner likewise, there is high positive relationship between investment and return. It is true that increase in investment leads to increase in return.

Koirala in his study entitled; deposit collect and mobilization of Everest co-operative society limited. The major objective of the study was to evaluate the liquidity position of Everest co-operative society limited and to access the sector for mobilizing collected deposit. He found that mobilization of loan and advance of Everest co-operative is similar like in every financial sector. In the study period of five years the composition of loan and advances are being distributed on personal loan, business loan, industrial loan, short term loan. The main focus of Everest co-operative is now on providing loan in agricultural and third live stock plan development. The liquid assets to total deposit ratio of Everest co-operative during the period 2060/061 to 2064/65 are in fluctuating all over the study period. The liquid ratio was minimum in year 2064/65 when deposit was maximum. Likewise the ratio was maximum in year 2062/063 when deposit was minimum in year 2060/061.

2.3 Research Gap

All above studies focused on the deposit collection, loan mobilization repayment pattern of loan and investment portfolio in different sector of several banks. The reason for its selection as study unit is due to past performance, record of accomplishment and so far no one has made study on analytical way regarding the deposit collection, loan disbursement and loan recovery pattern of Siddhartha Bank Limited. So, in order to find out the secure area for loan disbursement case study is made in Siddhartha Bank Limited.

CHAPTER –III

RESEARCH METHODOLOGY

Research methodology refers to the various sequential step (along with a rational of each steps) to be adopted by a research in studying a problem with certain objects in a view. It would be appropriate to mention that research projects are not acceptable to be studied and will determine the particular steps to be taken in order too.

The objective of this study is to see relationship between loan disbursement and loan outstanding, process of loan disbursement, to analyze the type wise deposit collection, growth of deposit collection and to know the secure area for loan disbursement.

This chapter aims to present the method used in this study to meet the set objective. It includes research design, data analysis procedure, statistical tools used, variable studied and limitation of the study methodology.

3.1 Research Design

Research design is the plan to obtain the answers of research question through analysis of data. Research is a systematic search for knowledge. It involves application of scientific method to the study at universe.

Research design of this study has two nature i.e. descriptive analysis and statistical analysis. Co-efficient of correlation and regression analysis techniques were applied for analysis the data. The data are statistically analyzed for the assessment keeping in mind to achieve the objective of the study. For this purpose many tools (e.g. graph and chart) were also prepared for the analysis.

3.2 Population and Sample

There are all together 31 commercial banks functioning all over the kingdom and most of their stocks are traded actively in the stock exchange market. Siddhartha Bank Limited established in 2002/12/24 and now is one of the leading commercial bank. Siddhartha Bank Limited has been selected as a case study of single bank.

3.3 Nature and Sources of the Data

The necessary data and information used in this study are collected from secondary sources. Data are collected from annual report, websites, and official records of Siddhartha Bank Limited.

3.4 Data collection Techniques and Procedures

Mainly, the study is dominated by secondary data collection from the above mention sources. Required information also collected by using unstructured interview with concerned personal of Siddhartha Bank Limited.

The available data was edited, classified, and tabulated in appropriate form. Some graph result of the same period. These tables are accomplished by corresponding percentage and average statistical tools such as trend analysis, regression and correlation analysis have also been used to analyze the data. Data are processed in such a manner that makes clear picture about the deposit collection, loan disbursement, loan recovery and outstanding loan.

3.5 Statistical Tools Used

Various statistical tools are used for the study to make more concise and clear. In this study to test the hypothesis Karl person's coefficient of correlation is used to verify the relationship between loan disbursement and outstanding loan.

The Karl person's co-efficient of correlation 'r' is used to test the significant relationship between loan disbursement and outstanding loan, loan recovery and deposit collection. To measure the level of significance 'r' is taken as significant, if value of 'r' is more than 6 times of probable error. So in this study, to find out the correlation different formulas are used.

Karl person's co-efficient of correlation between loan disbursement and loan outstanding.

Let,

Outstanding loan = x

Loan disbursement = y

We have,

R and the probable errors (p.er.) its defined by p.

Where,

r = correlation co-efficient

N = Number of pair of observation.

The numerical measurement of relationship between the two variables is denoted by the symbol, whose value ranges from -1 to +1.

If,

r = 0 there is no relationship between the variables.

r < 0, there is negative relationship between the variables.

r > 0, there is positive relationship between the variables.

r = +1, the relationship is perfectly positive.

$r = -1$, the relationship is perfectly negative.

$r < P.E.$ there is no evidence of correlation between the variable.

$r > 6P.E.$ correlation is significant.

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

Regression equation of loan disbursement and outstanding loan, loan disbursement and deposit collection, loan disbursement and loan recovery.

Let, the regression of y on x .

The normal equation is $y = a + bx$.

' x ' is the independent variables (deposit collection, loan recovery and outstanding loan).

' y ' is the dependent variable (disbursed loan).

' a ' and b are constant.

' a ' measures the intercept and ' b ' measures the slope following formula are used to calculate the value of a and b .

$$b = N$$

$$a = -b$$

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

Let, the straight line trend be

$$y = a + bx.$$

x = time, year

'a' and b are constants.

Among the various methods of determining trend of time series the most popular and mathematical method is the least square method. Using this least square method, it has been estimated that future trend value of different variables for the estimation of linear trend line following formula has been used,

$$y = a + bx.$$

Where y = Dependent variable

x = independent variable

a = y intercept

b = slope of the trend line.

3.6 Variable Studied

In this study different dependent and independent variables are studied.

Dependent variable = loan disbursement.

Independent variable = deposit collection, loan recovery and outstanding loan.

CHAPTER -IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

This chapter is analytical and important part of the study. According to the design and methodology various data are collected and tabulated then analyses are made as per necessary. The variable of loan effectiveness is analyzed on this chapter. For this type wise deposit collection, loan recovery and outstanding loan are given.

4.2 Deposit collection of Siddhartha Bank Limited

Deposit collection is one of the major functions of Bank as deposit is the primary source of fund .Bank collects deposit of public in different forms of deposit like saving deposit, fixed deposit, call deposit and current deposit etc. Deposit collected are to be well managed since it is the liability of the bank and there is involvement of cost inform of interest earned which is to be paid to the depositors.

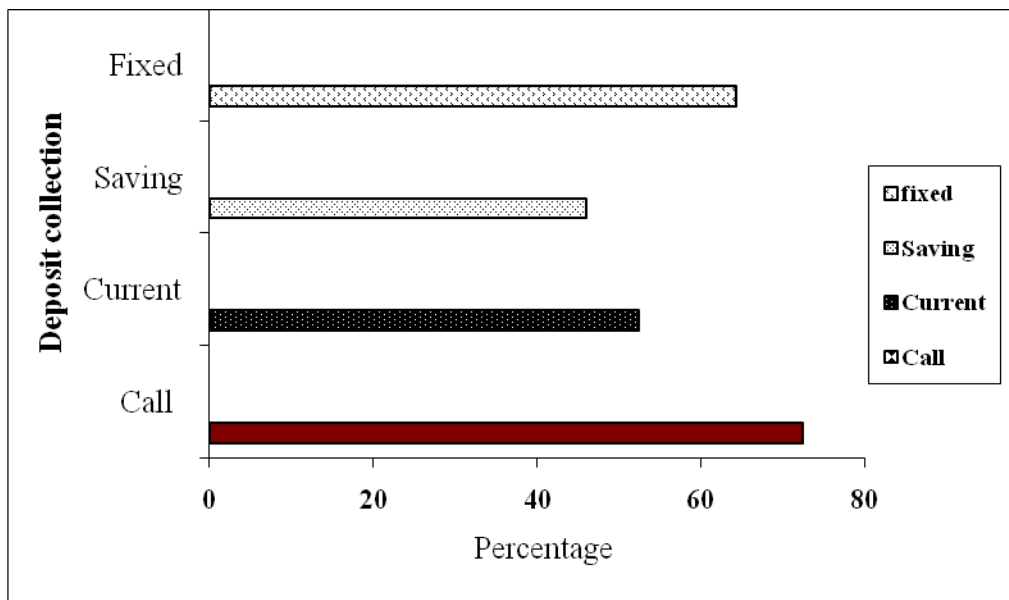
Table 4.1**Annual average Growth of type-wise deposit collection**

| F.Y. | call deposit | growth (g)% | current deposit | growth (g) % | Saving deposit | growth (g)% | fixed deposit | growth (g) | Total deposit | Growth (g) |
|--------------------|--------------|-------------|-----------------|--------------|----------------|-------------|---------------|------------|---------------|------------|
| 2061/062 | 54.169 | - | 9.848 | - | 78.784 | - | 103.404 | - | 246.2 | - |
| 2062/063 | 97.45 | 80.82 | 19.59 | 18.12 | 105.786 | 34.27 | 168.474 | 69.13 | 391.8 | 59.14 |
| 2063/064 | 152.375 | 55.56 | 19.875 | 1.46 | 185.5 | 75.35 | 304.75 | 80.89 | 662.5 | 69.91 |
| 2064/065 | 275.157 | 80.58 | 30.573 | 53.83 | 264.966 | 42.84 | 448.404 | 47.14 | 1019.1 | 53.83 |
| 2065/066 | 475.65 | 72.87 | 47.262 | 55.58 | 348.81 | 31.64 | 713.475 | 59.12 | 1585.5 | 55.28 |
| Average growth (g) | | 72.46 | | 52.45 | | 46.025 | | 64.27 | | 45.86 |

Source: Annual report of Siddhartha Bank Ltd.

As shown in table 4.1, Siddhartha Bank Limited has categorized its deposit portfolio into 4 types. The call deposit has highest average growth of rate of 72.46% per annum. While saving deposit has lowest average growth rate of 46.03% per annum .In the FY 062/63 it was in increasing rate .Then after it was increased at the diminishing marginal rate each year till 065/66. In the fiscal year in062/63, call deposit was increased at 80.82%. Then after ,during fiscal year 063/64 ,064/65 and 065/66,growth rate was55.56%,80.58%and 72.87% respectively .In the fiscal year 062/63,current deposit was increased by 98.92% .Then after in fiscal year 063/64, 064/65 and 065/66 it was increased at the diminishing marginal rate each year .In the fiscal year 062/63 growth rate of fixed deposit was 69.93%, and was in increasing rate during fiscal year 063/64, then after it was increased at the diminishing marginal rate each year. Siddhartha's total deposit collection reached to Rs1585.5cror in the fiscal year 065/66 from Rs 246.2cror in the fiscal year 061/62 which has shown an average growth rate of 45.86% per annum.

Fig. 4.1**Annual average growth Rate of Type wise deposit collection**



As shown in fig 4.1, Siddhartha Bank has highest average growth rate of 72.46% on call deposit and lowest average growth rate of 46.025% on saving deposit current deposit and fixed deposit has average growth rate of 52.45% and 64.27%

Deposit Portfolio

Deposit portfolio is a cash management fund providing money market return at a low risk.

Table 4.2
Portfolio of Deposits Rs. in Crore

| F.Y. Deposit | 2061/062 | 2062/063 | 2063/064 | 2064/065 | 2065/066 | Average |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------|
| Call Deposit | 4.164 22 | 97.95 25 | 152.375 23 | 275.157 27 | 475.65 30 | 25.4 |
| Current Deposit | 9.848 4 | 19.59 5 | 19.875 3 | 30.573 3 | 47.505 3 | 3.6 |
| Saving Deposit | 78.784 32 | 105.786 27 | 185.5 28 | 264.966 26 | 348.81 22 | 27 |
| Fixed Deposit | 103.404 42 | 168.474 43 | 304.75 46 | 448.404 44 | 731.475 45 | 44 |
| Total | 246.2 100 | 391.8 100 | 662.5 100 | 1019.1 100 | 1585.5 100 | 100 |

Source: Siddhartha Bank Limited

(Note figure inside the parenthesis indicate the percentage of annual total)

As shown in table 4.2 Siddhartha has categorized its deposit portfolio into four types. The fixed deposit remained at the first position during fiscal year 061/62 to 065/66 in deposit collection. Current deposit was in last position in deposit collection.

Fixed deposit shown by the table is more appropriate to lend for it cannot withdraw the depositors before the expiry of the date .so company can mobilize the amount of the fixed deposit into productive sector and gain more benefit .therefore the company should try to improve their increase percentage of fixed deposit to total deposit.

Fig 4.2
Portfolio of Deposits

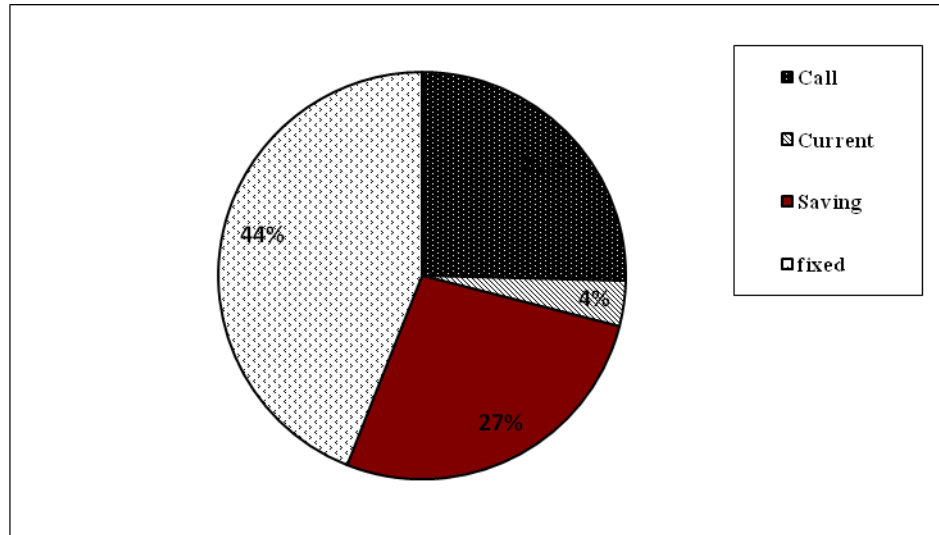


Fig 4.2 shows the composition of deposit collection made by Siddhartha between 061/62-065/66, from figure it is clear that fixed and saving deposit got the higher proportion of deposit where as current and call deposit received the smaller proportion

4.3 Loan Disbursement Procedure

The Siddhartha bank has some formal limit of lending it approved its loan commitment from Rs. 100000 to 25% of its core capital of the bank.

It requires guarantees of repayment by parties .Its interest rate is 15 to 16% and loan duration is usually for one year to twenty year. Loans and advances are the main sources of earning profit of the company. If any parties want to take the loan first of all should give an application with full particulars eg applicants name, firm's name, occupation, address, period and purpose for which the loan is required, procedure of payment etc.

The company from the client wishing to obtain loan recovers statement of moveable and immovable property and of liabilities and record in the application for loan received register book. The manager endorse the imitation of such effect to the loan application after receiving a favorable report from credit department regarding confidential inquires made by it . It lends money on the basis of three fundamental point, what is the wanted for? How long it wanted for? And what are the sources of re payment? And after then the

company can ask for security available or not.

Decision has to be made for the sake of providing loan to whom and under what circumstance it should lend. The lending offices must have knowledge about the nature of customer and its position. The company disburse loan for various purpose. The company provides loan for hire purchase of vehicles, housing loan for personal and institutional building and ware housing construction, repair and maintenance and land and building purchase. business and industrial loan are provided for working capital and fixed capital which helps for the expansion of business and industry it also provides education loans for higher education with in the country and outside of the country such M.B.B.S. and CA etc .Tourism loans are also provided for the development of tourism sector such as expansion of hotel, lodge, restaurant and travel agency loan against fixed deposit are also provided.

In Hire Purchase Loan Company demand a quotation from the vehicle supplier for the new vehicle and photocopy of blue book for the old vehicle and other necessary documents such as photocopy of citizenship of application and guaranteed person. The company provides loan maximum 80% of quotation price for new vehicle and 70% of quotation price or valuation amount for old commercial vehicle and 80% of quotation price of or valuation amount for private vehicle.

In housing loan company requires necessary document such as building map, acceptance letter from municipalities, passport size photograph an citizenship certificate of applicant, income source paper, photocopy of certificate of the land ownership, receives of land receive payment and blue print (map) of land etc. The company provides loan maximum 80% of building construction and repair maintenance cost.

4.4 Loan Disbursement, Repayment and Outstanding Loan of Siddhartha Bank.

Table 4.3
Percentage of Repayment to Disbursement and outstanding

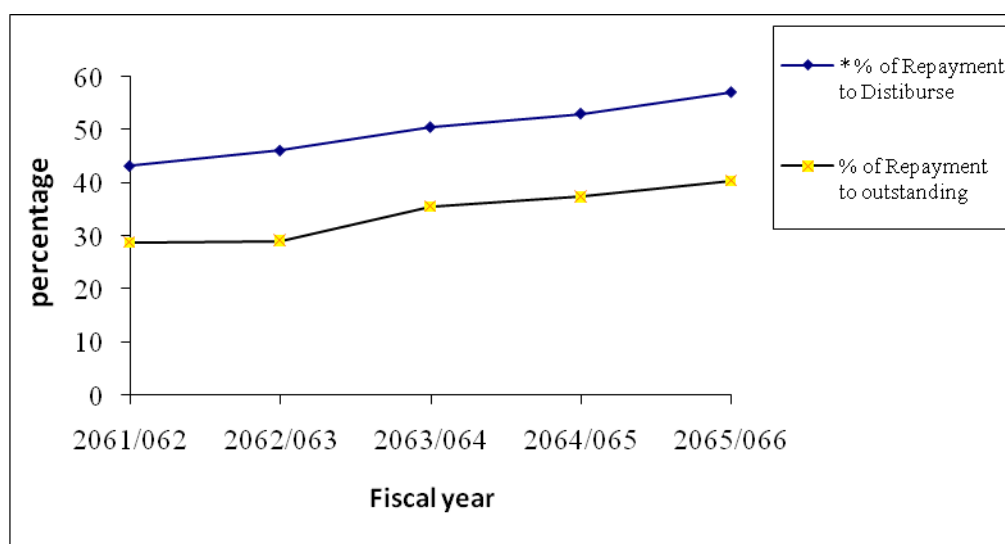
Rs. in crore

| F.Y. | Loan Disburse | Loan Repayment | Loan Outstanding | % Repayment to Disburse | % Repayment to outstanding |
|----------|---------------|----------------|------------------|-------------------------|----------------------------|
| 2061/062 | 257.1 | 111.1958 | 386.2158 | 43.25 | 28.79 |
| 2062/063 | 368.9 | 170.1551 | 585.0407 | 46.125 | 29.1 |
| 2063/064 | 632 | 319.16 | 897.8807 | 50.5 | 35.55 |
| 2064/065 | 948.1 | 502.493 | 1343.4877 | 53 | 37.40 |
| 2065/066 | 1350.5 | 769.785 | 1924.7027 | 57 | 40.39 |
| Average | | | | 49.98 | 34.25 |

(Source: Annual Report of corresponding fiscal year of S.B.L)

Let us first see the trend of loan disbursement, repayment and outstanding in different fiscal years covered by the study area. Table 4.3 shows that, the flow of disbursement loan has gone up from Rs. 257.1 crore in 2061/062 to Rs. 1350.50 crore in 2065/066. The repayment and outstanding loan also have gone up from Rs. 111.1958 crore and Rs. 386.2958 crore in fiscal year 2061/062 to Rs. 769.78 crore and Rs. 19.24.7027 crore in fiscal year 2065/066.

Fig 4.3
Percentage of Repayment to Disbursement and outstanding



The data from table 4.3, is plotted in figure 4.3 with percentage in vertical axis and fiscal year on the horizontal axis. Viewing the figure 4.3 Percentage of repayment to disbursement was highest in F.Y. 2065/066 i.e 57% and lowest in F.Y. 2061/062 i.e, 43.25%. The percentage of repayment to disbursement in

F.Y. 2061/062 was 43.25 percentage after that it was in increasing trend up to 46.25% in F.Y. 2062/063, 50.5% in F.Y. 2063/064, 53% in F.Y. 2064/065 and finally 57% in F.Y. 2065/066.

The percentage of outstanding loan was highest in the F.Y. 2065/066 i.e. 40.39% and lowest in the F.Y. 2061/062 i.e. 28.79%. The percentage of Repayment to outstanding in F.Y. 2061/062 was 28.79%. After that it was in increasing trend 29.1%, 35.55%, 37.40% and 40.39% respectively in fiscal year 2062/063, 2063/064, 2064/065 and 2065/066.

Table 4.4
Annual growth of outstanding loan

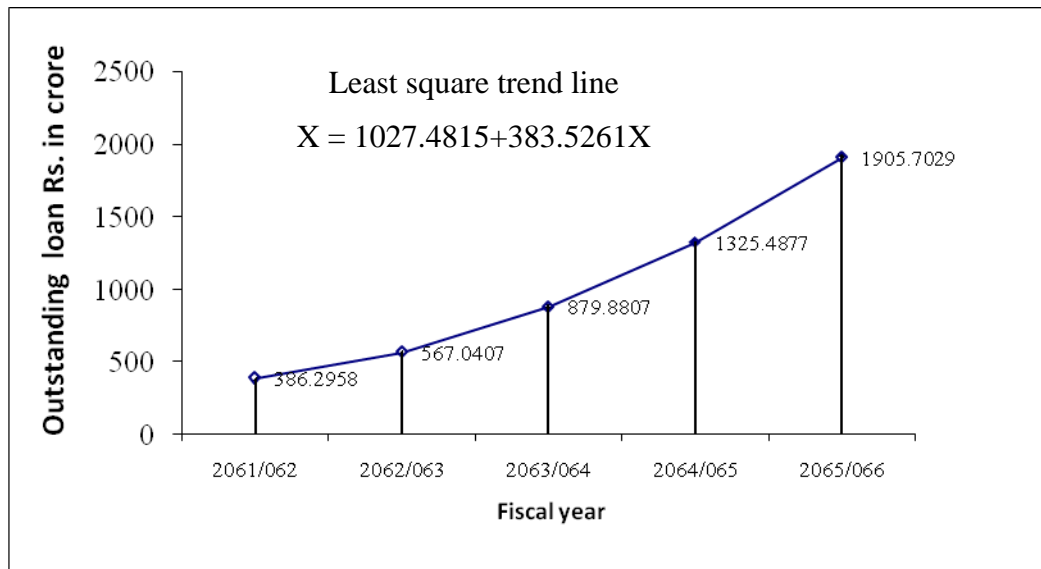
(Rs. in crore)

| S.N. | F.Y. | Loan outstanding | Growth (g) |
|------|--------------------|------------------|------------|
| 1 | 2061/062 | 386.2958 | - |
| 2 | 2062/063 | 567.0407 | 47.79 |
| 3 | 2063/064 | 879.8807 | 54.17 |
| 4 | 2064/065 | 1325.4877 | 50.14 |
| 5 | 2065/066 | 1905.7027 | 43.27 |
| | Average growth (g) | | 48.19% |

Source: Annual Report of corresponding F.Y. of S.B.L.

Table 4.4 shows that S.B.L. total outstanding loan increased from Rs. 386.2958 crore in F.Y. 2061/062 to Rs. 1905.7027 crore in F.Y. 2065/066, which has shown an average growth rate 49.34% per annual.

Fig 4.4
Annual growth of outstanding loan



The data of table 4.4 are plotted in figure it is clear that the annual growth rate of each year increases. Between the F.Y. 2061/062 and 2065/066, the year to year growth rate of outstanding loan of SBL varied from lowest 43.77% in F.Y. 2065/066 to highest 55.17% in F.Y. 2063/064. In F.Y. 2062/063, it increased with marginal rate of 47.79%. Then after, it was increasing with 55.17% in F.Y. 2063/064, again it was increasing with diminishing marginal rate till F.Y. 2065/066. The least square trend line of outstanding loan $Y = 1027.4815 + 383.5261X$. Appendix III

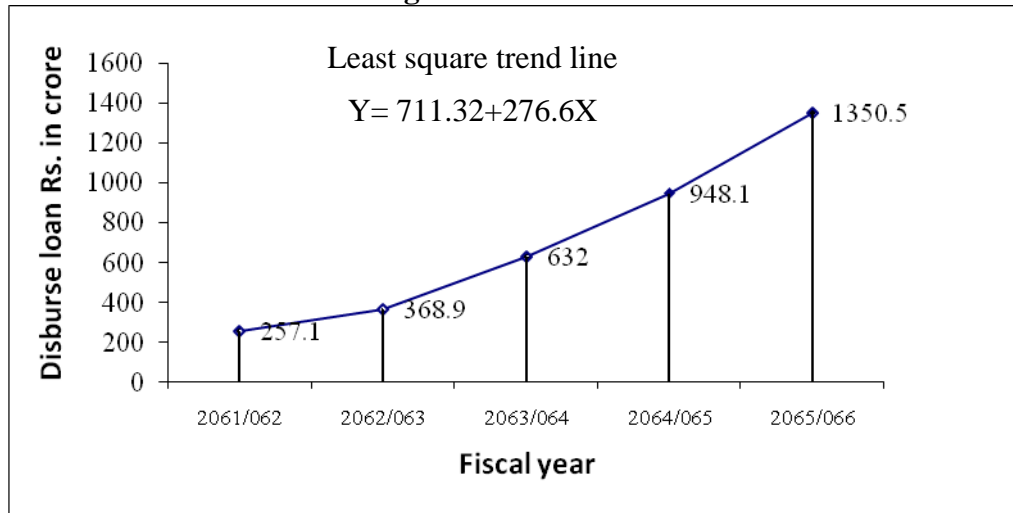
Table 4.5
Annual growth of disburse loan

| | | | Rs. in crore |
|------|--------------------|---------------|--------------|
| S.N. | F.Y. | Loan Disburse | Growth (g)% |
| 1 | 2061/062 | 257.1 | - |
| 2 | 2062/063 | 368.90 | 43.49 |
| 3 | 2063/064 | 632.00 | 71.32 |
| 4 | 2064/065 | 948.1 | 50.01 |
| 5 | 2065/066 | 1350.5 | 42.44 |
| | Average growth (g) | | 51.82% |

Source: Annual Report of corresponding F.Y. of S.B.L.

Table 4.5 shows that S.BL aggregate loan disbursement reached to Rs. 1350.5 crore from Rs. 257.1 crore in F.Y. 2061/062 to F.Y. 2065/066. Which has shown an average growth of 51.82 percentage per annual.

Fig 4.5
Annual growth of Disburse loan



The data from the table 4.5, is plotted in fig 4.5, with loan disbursement on the vertical axis and fiscal year on the horizontal axis. From fig 4.5, Annual growth rate of fiscal year 061/062 to 062/063 is 43.49%, Again was in the increasing trend in fiscal year 063/064 i.e, 71.32%.After that it was declining 50.01%, 52.44% in fiscal 2064/065 & 065/066 line of loan disbursement

$$y=711.32+276.6x$$

(Appendix I)

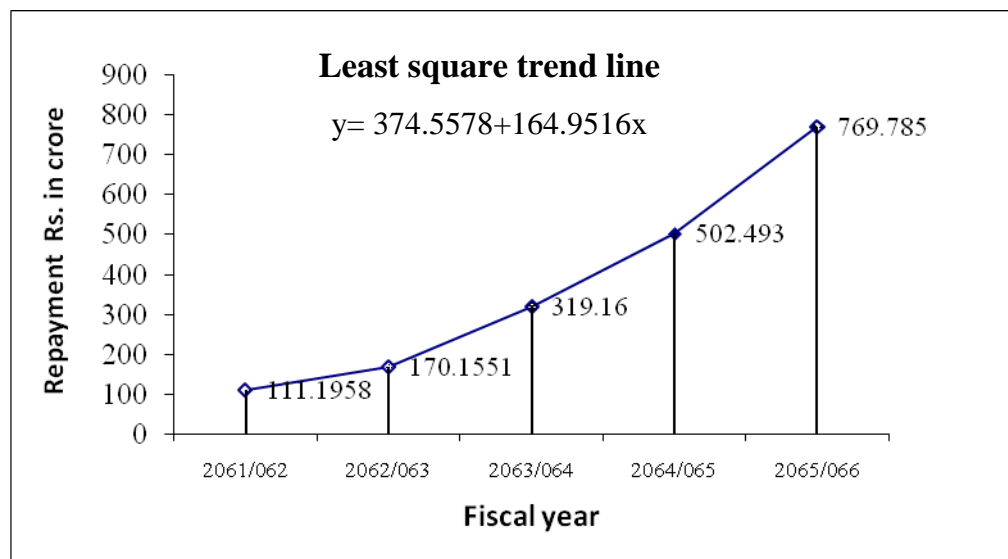
Table 4.6
Annual growth of Repayment Loan

Rs in crore

| S.N. | F.Y. | Loan Repayment | Growth (g)% |
|------|--------------------|----------------|-------------|
| 1 | 2061/062 | 111.1958 | - |
| 2 | 2062/063 | 170.1551 | 53.02 |
| 3 | 2063/064 | 319.16 | 87.57 |
| 4 | 2064/065 | 502.493 | 57.44 |
| 5 | 2065/066 | 769.785 | 53.19 |
| | Average growth (g) | | 62.805% |

Table 4.6, shows that SBL total principal collection (repayment) increased from Rs. 111.1958 crore in F.Y. 061/062 to Rs. 769.785 crore in F.Y. 2065/066, which as shown an average growth rate of 62.85% per annum.

Fig. 4.6
Annual growth of Repayment loan



The data of table 4.6 are plotted in figure 4.6, with principal collection on the vertical axis and fiscal year on horizontal axis. From the figure 4.6, Annual growth rate of F.Y. 2061/062 to 2062/063 is 53.02%. Again it was in the increasing trend in F.Y. 2062/063 to 2063/064 i.e. 87.57%. After that it was in dealing trend of F.Y. 2064/065 to 2065/066 with respect to 57.44% and

53.19%. Least square trend line of principal collection.

$$y = 372.5578 + 164.9516x$$

Appendix (II)

4.5. Type wise Loan Disbursement, Repayment and outstanding Loan of SBL

Table 4.7

Composition of Type -wise loan disbursement

Rs. in Crore

| S.N. | F.Y | working capital | | consumption loan | | Term loan % | | Annual total | |
|--------------------|---------|-----------------|--------|------------------|-------|-------------|-------|--------------|-----|
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 1 | 061/062 | 136.263 | 53 | 48.8661 | 19 | 71.988 | 28 | 257.1 | 100 |
| 2 | 062/063 | 221.34 | 60 | 55.335 | 15 | 92.225 | 25 | 368.9 | 100 |
| 3 | 063/064 | 366.56 | 58 | 101.12 | 16 | 164.32 | 26 | 632 | 100 |
| 4 | 064/065 | 426.645 | 45 | 113.772 | 12 | 407.683 | 43 | 948.1 | 100 |
| 5 | 065/066 | 621.23 | 46 | 135.05 | 10 | 594.22 | 44 | 1350.5 | 100 |
| Total | | 1772.1148 | 49.83 | 454.2431 | 12.77 | 1330.436 | 3741 | 3556.6 | |
| Average growth (g) | | | 58.440 | | 32.1 | | 75.49 | | |

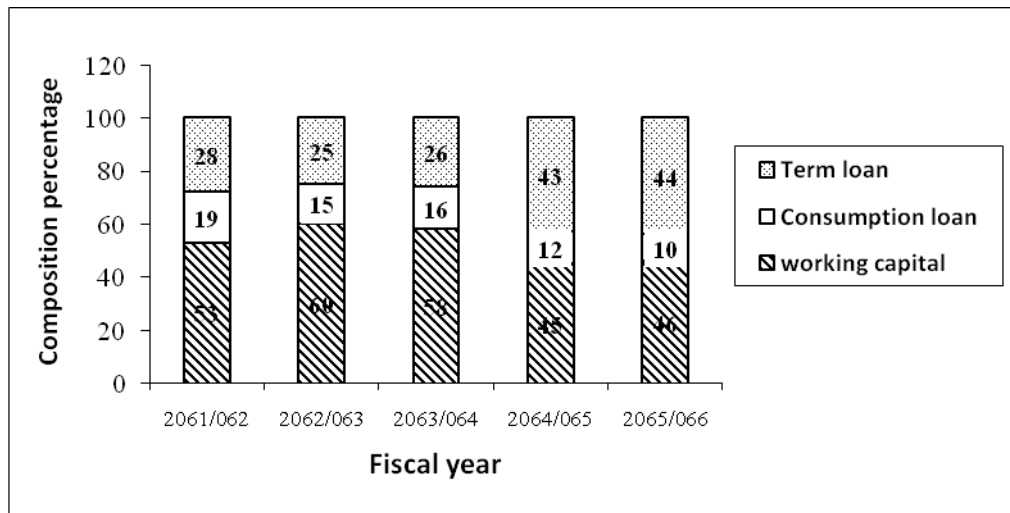
Source: Annual Report of corresponding F.Y. of SBL.

Note: The percentage columns indicate the percentage of Annual total.

Viewing the loan disbursement type wise, the flow of term loan has gone up from Rs. 71.988 crore (28% of total) in F.Y. 061/062 to Rs. 594.22 crore (44% of total) in F.Y. 065/066. The working capital and consumption loan disbursement also have gone up from Rs. 136.263 crore and Rs. 48.8861 crore in F.Y. 061/062 to Rs. 621.23 crore and 135.05 crore in F.Y. 065/066.

Fig 4.7

Composition of Type -wise loan disbursement



In term of composition of total disbursement, the working capital loans edged up to 60% in F.Y. 062/063 from 53% in F.Y. 061/062, then after it was increasing in declining rate from F.Y. 063/064 to 064/065 with 58% to 45% and lastly in F.Y. 065/066 it was slowly in increasing rate of 46%. The average growth rate for the working capital, consumption loan and term loan disbursement revealed 58.44%, 32.1% 75.49% respectively.

Table 4.8
Composition of Type-wise Loan Repayment

Rs. in crore

| S.N. | F.Y | Working capital | | consumption loan | | Term loan % | | Annual total | |
|--------------------|---------|-----------------|-------|------------------|-------|-------------|-------|--------------|-----|
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 1 | 061/062 | 53.1294 | 47.78 | 3.5805 | 3.22 | 54.485 | 49 | 111.1958 | 100 |
| 2 | 062/063 | 72.3159 | 42.5 | 6.8062 | 4 | 91.0330 | 53.5 | 170.1551 | 100 |
| 3 | 063/064 | 143.662 | 45 | 9.5748 | 3 | 165.9632 | 52 | 319.16 | 100 |
| 4 | 064/065 | 214.85 | 42.75 | 10.045 | 2 | 277.627 | 55.25 | 502.493 | 100 |
| 5 | 065/066 | 296.367 | 38.5 | 26.9425 | 3.5 | 446.4753 | 58 | 769.785 | 100 |
| Total | | 780.3243 | 41.44 | 56.949 | 3.02 | 1035.5844 | | 1872.7889 | |
| Average growth (g) | | | 55.57 | | 75.98 | | 69.38 | 62.81 | |

Source: Annual Report of corresponding F.Y. of SBL.

Note : The percentage columns indicates the percentage of Annual total.

The above table 4.8, shows that the collection of principals for working capital, consumption loan and term loan during the fiscal year 061/062 to 065/066. The recovery of term loan has reached to Rs. 446.4753 crore (58% of total) in F.Y. 065/066 from Rs. 54.485 (49% of total) in F.Y. 061/062. The working capital and consumption loan recovery also have gone up from Rs. 53.1294 crore and Rs. 3.5805 crore in F.Y. 061/062 to Rs. 216.367 crore and Rs. 26.9425 crore in F.Y. 065/066 respectively.

Figure 4.8
Composition of Type-wise Loan Repayment

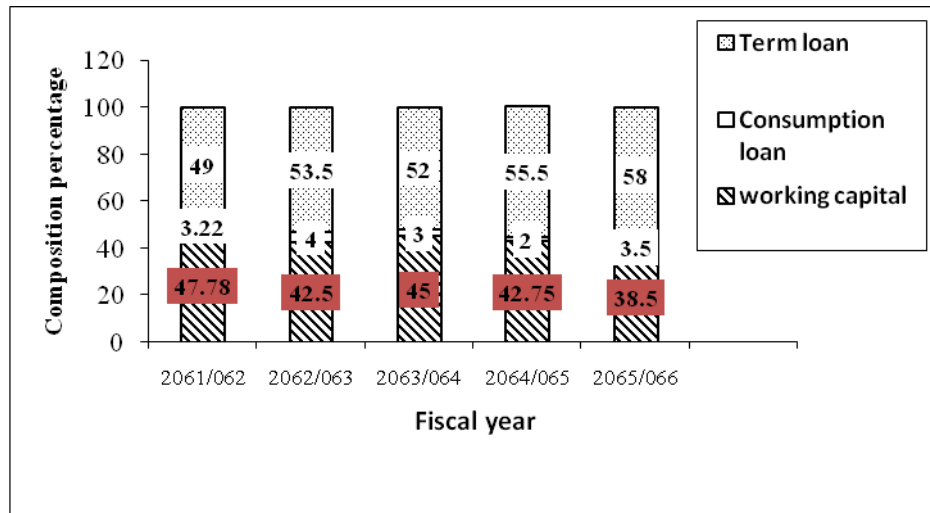


Figure 4.8 shows that, in term of composition of total collections the term loans edged up 49% in 061/062 to 58% in 2065/066. In case of consumption loans it has fluctuating tendencies. Between the fiscal year 2061/062 to 2065/066. The average growth rate of the working capital, consumption loan and term loan in term of principal collections have estimate 55.57%; 3.02 & 69.38 percentage respectively. The increase or decrease in the loan recovery is directly related to the increase or decrease of loan disbursement.

Table 4.9
Composition of Type wise outstanding loan

| S.N. | F.Y | Working capital | | Consumption loan | | Term loan % | | Annual total | |
|--------------------|---------|-----------------|--------|------------------|-------|-------------|-------|--------------|-----|
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 1 | 061/062 | 115.8887 | 30 | 27.04071 | 7 | 243.3664 | 63 | 386.2958 | 100 |
| 2 | 062/063 | 264.9128 | 45.28 | 75.5695 | 12.92 | 244.5584 | 41.8 | 585.0407 | 100 |
| 3 | 063/064 | 487.8188 | 54.33 | 167.2147 | 18.62 | 242.9152 | 27.1 | 897.8807 | 100 |
| 4 | 064/065 | 699.6058 | 52.1 | 270.942 | 20.17 | 372.271 | 27.71 | 1343.4877 | 100 |
| 5 | 065/066 | 1024.4688 | 53.23 | 379.049 | 19.69 | 520.7159 | 27.1 | 1924.7027 | 100 |
| Total | | 25920695 | 50.5 | 919.8159 | 17.9 | 1623.8269 | 31.61 | 5137.4076 | |
| Average growth (g) | | | 77.359 | | 100 | | 23.27 | | |

Source: Annual Report of corresponding F.Y. of S.B.L.

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

Table 4.9 shows the outstanding type-wise. The flow of term loan has gone up from Rs. 243.3664 Crore (63% of total) in F.Y. 061/062 to Rs. 1623.8269 crore (31.61% of total) in F.Y. 065/066. The working capital and consumption loan outstanding also have gone up from Rs. 115.8887 crore (30% of total) and Rs. 27.04071 crore (7% of Total) in F.Y. 061/062 to Rs. 1024.4688 crore and Rs. 379.049 (19.69% of total) in F.Y. 065/066.

Fig 4.9
Composition of Type-wise loan outstanding

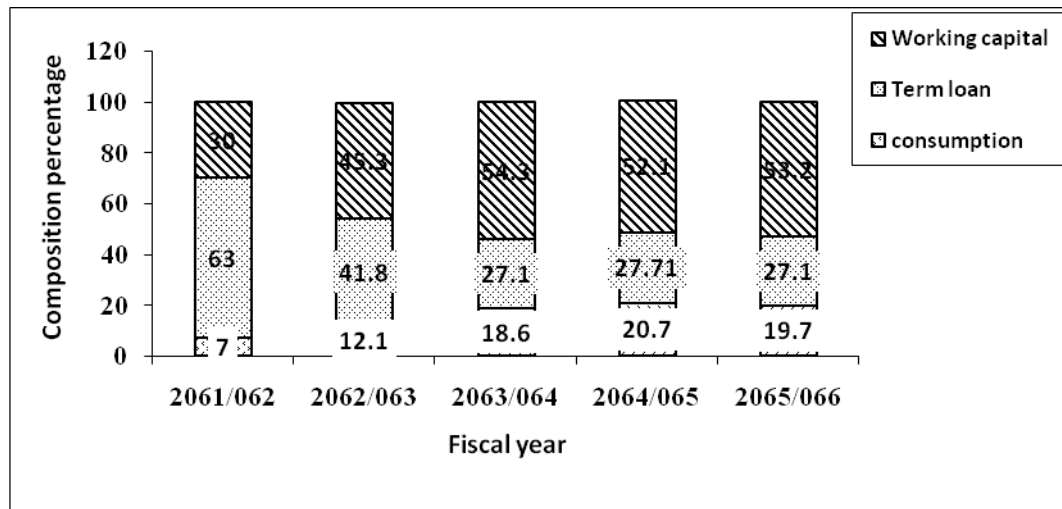


Fig 4.9 shows that, in term of composition of total outstanding, the working capital, loans edged up 54.33% in F.Y. 063/064 from 30% in F.Y. 061/062, then after it was increased in dealing rate from fiscal year 064/065 to 065/066 with 52.1% and 53.33% respectively. The outstanding loan of term loan seems in decreasing rate from F.Y. 061/062 to 065/066. i.e. 63% in F.Y. 061/062, 41.8% in F.Y. 062/063, 27.1% in F.Y. 063/064, 27.7% in F.Y. 064/065 and 27.1% in F.Y. 065/066. The average growth rate for the working capital, consumption loan and term loan outstanding revealed 77.35%, 100% and 23.27% respectively.

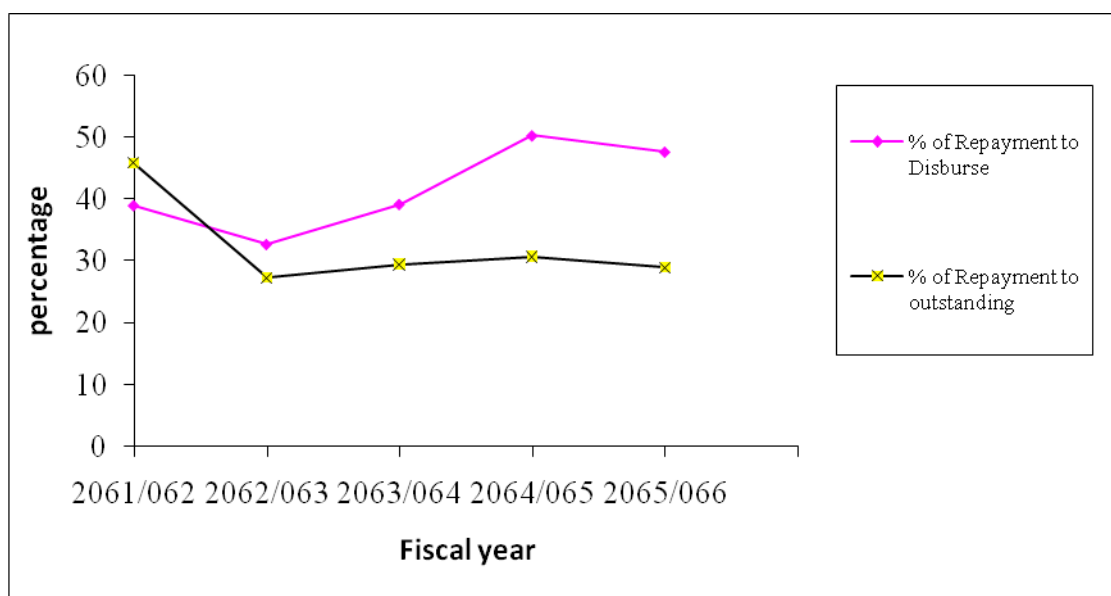
Table 4.10
Percentage of Repayment to Disbursement and Outstanding for Working Capital Loan

| Rs.in Crore | | | | | | |
|-------------|----------|--------------|-----------|-------------|-------------------------|-------------------------------|
| S.N | F.Y | Disbursement | Repayment | outstanding | % repayment to disburse | % of Repayment to outstanding |
| 1 | 2061/062 | 136.263 | 53.1294 | 115.8887 | 39 | 45.85 |
| 2 | 2062/063 | 221.34 | 72.3159 | 264.91284 | 32.67 | 27.30 |
| 3 | 2063/064 | 366.56 | 143.662 | 487.8188 | 39.19 | 29.45 |
| 4 | 2064/065 | 426.645 | 214.85 | 699.6058 | 50.36 | 30.71 |
| 5 | 2065/066 | 621.23 | 296.367 | 1024.4688 | 47.71 | 28.93 |
| | Average | | | | 41.79 | 32.45 |

Above table 4.10, shows that there were increasing trends of loan disbursement, repayment and outstanding for working capital loan during the F.Y. 2061/062 to 2065/066. The flow of loan disbursement of working capital has gone up from Rs. 136.263 crore in F.Y. 061/062 to Rs. 621.23 crore in F.Y. 2065/066. The repayment and outstanding loan also have gone up from Rs. 31.1924 crore and Rs. 115.8887 crore in F.Y. 061/062 to Rs. 296.367 crore and Rs. 1024.4688 crore in F.Y. 065/066 respectively. Viewing the above table, the percentage of repayment to disbursement was highest in F.Y. 2064/065 i.e. 50.36% and lowest in the F.Y. 2062/063 i.e. 32.67%. The percentage of repayment to outstanding was highest in the F.Y. 061/062 i.e. 48.50% and lowest in F.Y. 2065/066 i.e. 28.93% . Between fiscal year 2061/062 to 2065/066, the average percentage of repayments to disbursement and repayment to outstanding are 41.79% and 32.45% respectively for working capital loan.

Figure 4.10

Percentage of Repayment to Disbursement and outstanding for working capital Loan



In fig. 4.10 with percentage in vertical axis and fiscal year on the horizontal axis, repayment to disbursement was highest in F.Y. 2064/065 i.e.50.36% and lowest in the F.Y. 2061/062 i.e. 32.67%. The percentage of repayment to

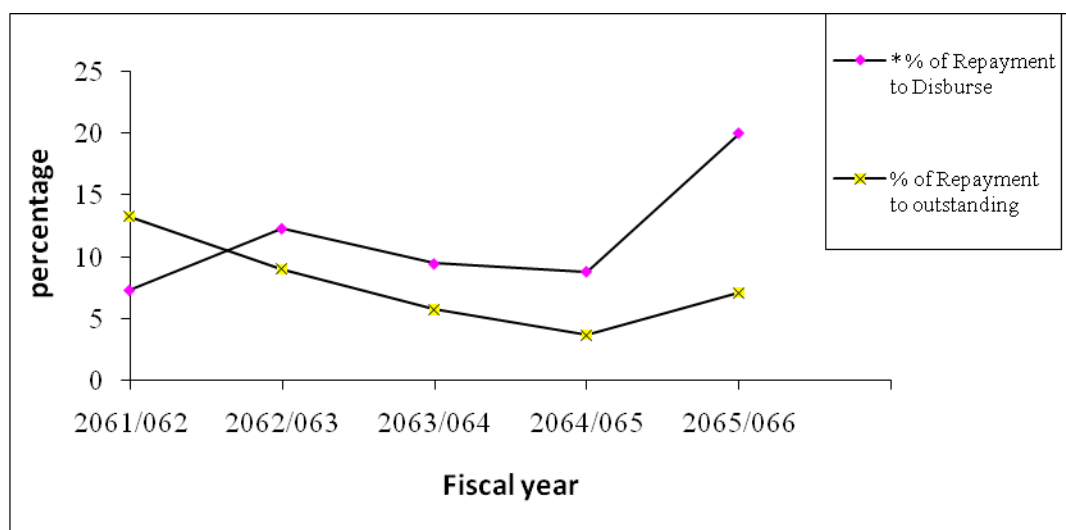
outstanding was highest in the F.Y. 2061/062, the average percentage of repayment to disbursement and repayment to outstanding are 41.79% and 32.45% respectively for working capital loan.

Table 4.11
Percentage of Repayment to Disbursement and outstanding for
Consumption Loan

| | | | | | | Rs. in crore | |
|-----|----------|--------------|-----------|-------------|-------------------------|-------------------------------|--|
| S.N | F.Y | Disbursement | Repayment | outstanding | % repayment to disburse | % of Repayment to outstanding | |
| 1 | 2061/062 | 48.8661 | 3.5805 | 27.040706 | 7.33 | 13.24 | |
| 2 | 2062/063 | 55.335 | 6.8062 | 75.5695 | 12.30 | 9.01 | |
| 3 | 2063/064 | 101.22 | 9.5748 | 167.2147 | 9.46 | 5.73 | |
| 4 | 2064/065 | 113.772 | 10.045 | 270.942 | 8.83 | 3.71 | |
| 5 | 2065/066 | 135.05 | 26.9425 | 379.049 | 120.0 | 7.11 | |
| | Average | | | | 11.58 | 7.76 | |

Table 4.11 shows that there were increasing trends of loan disbursement, repayment and outstanding for consumption loan during the F.Y. 2061/062 to 2065/066. The flow of loan disbursement has gone up from Rs. 48.8661 crore in F.Y. 2061/062 to Rs. 135.05 crore in F.Y. 2065/066. The repayment and outstanding loan also have gone up from Rs. 3.5805 crore and Rs. 27.040706 crore in F.Y. 2061/062 to Rs. 26.4425 crore and Rs. 379.049 crore in F.Y. 2065/066. Viewing the above table, the percentage of repayment to disbursement was highest in F.Y. 2065/066 i.e. 20% and lowest in F.Y. 2061/062 i.e. 7.33. The percentage of repayment to outstanding was highest in fiscal year 2061/62 i.e, 13.24 % and lowest in F.Y. 2064/065 i.e. 3.71%. Between the fiscal year 2061/062 to 2065/066, the average percentage of repayment to disbursement and repayment to outstanding is 11.58% and 7.70% respectively for consumption loan.

Fig. 4.11
Percentage of Repayment to Disbursement and outstanding for
Consumption Loan



Viewing the fig 4.11, the percentage of repayment to disbursement was highest in F.Y. 2065/066 i.e. 20% and lowest in F.Y. 2061/062 i.e. 7.33. The percentage of repayment to outstanding was highest in F.Y. 064/065 i.e. 7.31% . between the fiscal 2061/062 to 065/066, the average percentage of repayment to disbursement and repayment to outstanding is 11.58% and 7.70% respectively for consumption loan.

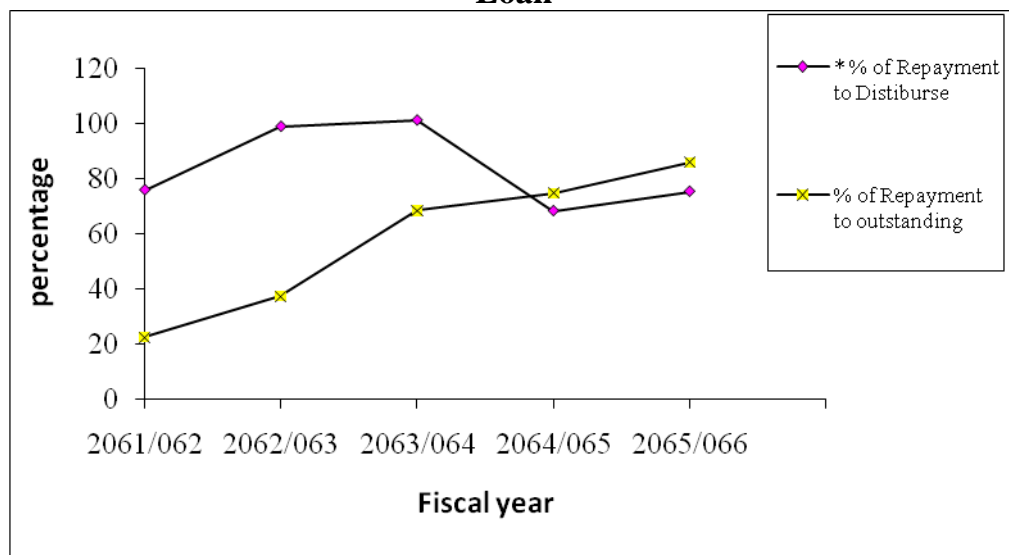
Table 4.12
Percentage of Repayment to Disbursement and outstanding for Term Loan

| Rs. in crore | | | | | | |
|--------------|----------|--------------|-----------|-------------|-------------------------|-------------------------------|
| S.N | F.Y | Disbursement | Repayment | outstanding | % repayment to disburse | % of Repayment to outstanding |
| 1 | 2061/062 | 71.988 | 54.4859 | 243.3664 | 75.69 | 12.39 |
| 2 | 2062/063 | 12.225 | 91.0330 | 244.5584 | 98.71 | 37.22 |
| 3 | 2063/064 | 164.32 | 165.9632 | 242.9152 | 101 | 68.32 |
| 4 | 2064/065 | 407.683 | 277.627 | 372.271 | 68.10 | 74.58 |
| 5 | 2065/066 | 594.22 | 446.4753 | 520.7159 | 75.14 | 85.74 |
| | Average | | | | 83.73 | 57.65 |

Table 4.12 shows that there were increasing trends of loan disbursement, repayment and outstanding for term loan during the F.Y. 2061/062 to 2065/066. The flow of loan disbursement of term loan has gone up from Rs. 71.988 crore in F.Y. 2061/062 to Rs. 594.22 crore in F.Y. 2065/066. The repayment and outstanding loan also have gone up from Rs. 54.4859 crore and Rs. 243.3664 crore in F.Y. 2061/062 to Rs. 446.4753 crore and Rs. 520.7159

crore in F.Y. 2065/066 respectively. Viewing the above table, the percentage of repayment to disbursement was highest in F.Y. 2063/64 i.e. 101% and lowest in F.Y. 2064/065 i.e. 68.10%. The percentage of repayment to outstanding was highest in F.Y. 2065/066 i.e. 85.74 and lowest in F.Y. 2061/062 i.e. 12.39%. Between the fiscal year 2061/062 to 2065/066, the average percentage of repayment to disbursement and repayment to outstanding is 83.75% and 57.65% respectively for term loan.

Fig. 4.12
Percentage of Repayment to Disbursement and outstanding for Term Loan



Viewing the fig 4.12, the percentage of repayment to disbursement was highest in F.Y. 1063/064 i.e. 101% and lowest in F.Y.064/065 i.e. 68.10%. The percentage of repayment to outstanding was highest in F.Y. 065/066 i.e. 85.74% and lowest in F.Y. 061/062 i.e. 2.39%. Between the fiscal year 061/062 to 2065/066, the average percentage of repayment to disbursement and repayment to outstanding i.e.83.75% and 57.65% respectively for Term loan.

4.6 Repayment of type wise loan as per their subdivision

1. Term loan

A bank loan typically with a floating interest rate for a specified amount with maturity period more than one year. One pays the interest monthly, quarterly or annually as required by the lender, but the principal is not due until maturity.

Subdivision of term loans are:-

- i. Personal Term loan
- ii. Home Loan
- iii. Here purchase Loan
- iv. Business Loan.

Table 4.13
Repayment Loan of Term Loan as per Subdivision

Rs. In crore

| Year | Personal Term | Home Loan | Like purchase | Business | Total |
|------------|---------------|-----------|---------------|----------|-----------|
| 061/062 | 14.4555 | 11.119 | 12.231 | 16.679 | 54.485 |
| 062/063 | 17.061 | 23.822 | 20.419 | 29.777 | 91.033 |
| 063/064 | 30.32 | 47.874 | 41.491 | 46.278 | 165.9632 |
| 064/065 | 40.199 | 80.399 | 66.58 | 90.449 | 277.627 |
| 065/066 | 69.281 | 107.769 | 115.468 | 153.957 | 446.475 |
| Total | 171.271 | 270.983 | 256.187 | 337.14 | 1035.5844 |
| Percentage | 17% | 26% | 25% | 32% | 100% |

Table 4.13 shows the repayment loan of term loan as per subdivision. The flow of business loan has gone up from Rs. 16.679 crore in FY 061/062 to Rs. 153.957 crore in FY 065/066, personal term loan, Hoem loan and Hira purchase loan has gone up from Rs. 14.455, Rs. 11.119 and Rs. 12.231 crore to Rs. 69.281, Rs 107.769 and 115.468 crore in FY 065/066 respectively.

Fig 4.13
Repayment loan of Term loan as per subdivision

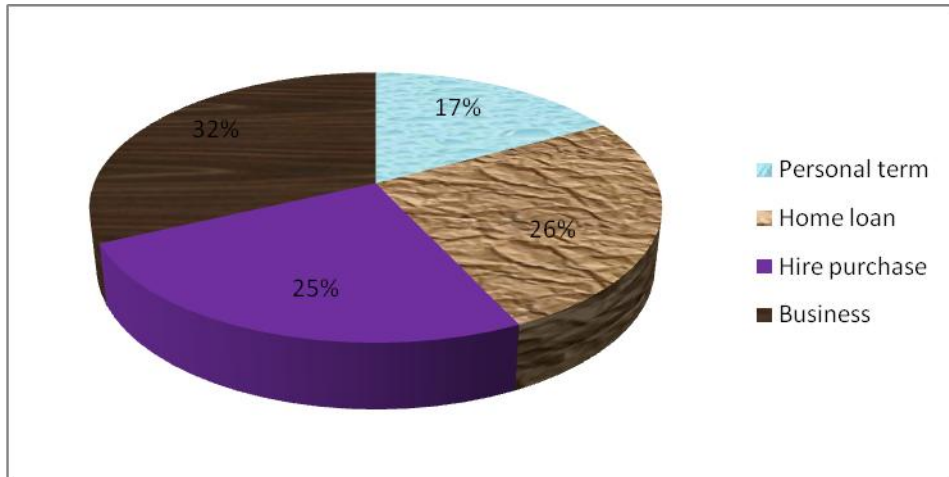


Fig 4.14 shows that, in term of subdivision throughout the corresponding fiscal year 061/062 to 065/066, business loan has highest repayment loan of Rs. 337.14 crore i.e. 32% of total loan repayment of Rs. 1035.5844 crore of term loan.

2. Working Capital Loan:

A Loan whose purpose is to finance everyday operation of a company. A working capital loan is not used to buy long term assets or investment, instead it's used to clear up accounts payable, wages etc.

Short term business loans financing the purchase of income generating assets, principally inventory. Working capital loans are generally written with lending terms requiring full payment within a specified period, such as 60 days, 90 days from the date the funds are advanced. Subdivision of working capital loans are:-

- i. Overdraft
- ii. Demand Loan
- iii. Trust receipt
- iv. Time loan

Table 4.14

Repayment loan of working capital as per subdivision

Subdivision

| Year | Overdraft | Demand loan | Trust receipt | Time loan | Total |
|------------|-----------|-------------|---------------|-----------|----------|
| 061/062 | 16.679 | 11.12 | 13.344 | 11.987 | 53.1294 |
| 062/063 | 22.120 | 15.134 | 18.717 | 16.345 | 72.3159 |
| 063/064 | 54.272 | 31.925 | 28.732 | 28.733 | 143.662 |
| 064/065 | 80.412 | 55.283 | 38.999 | 40.206 | 214.85 |
| 065/066 | 115.468 | 76.978 | 53.885 | 50.036 | 296.367 |
| Total | 288.951 | 190.44 | 153.627 | 147.307 | 780.3243 |
| Percentage | 37% | 24% | 20% | 19% | 100% |

Table 4.14 shows Repayment loan of working capital as per subdivision. The flow of overdraft has gone up from Rs. 16.679 crore in FY 061/062 to Rs. 115.468 crore in FY 065/066, flow of demand loan trust receipt and time loan has gone up from Rs. 11.12 to Rs. 76.978, Rs. 53.885 and Rs. 50.036 crore in FY 065/066 respectively.

Fig 4.14

Repayment Loan of working capital as per sub division

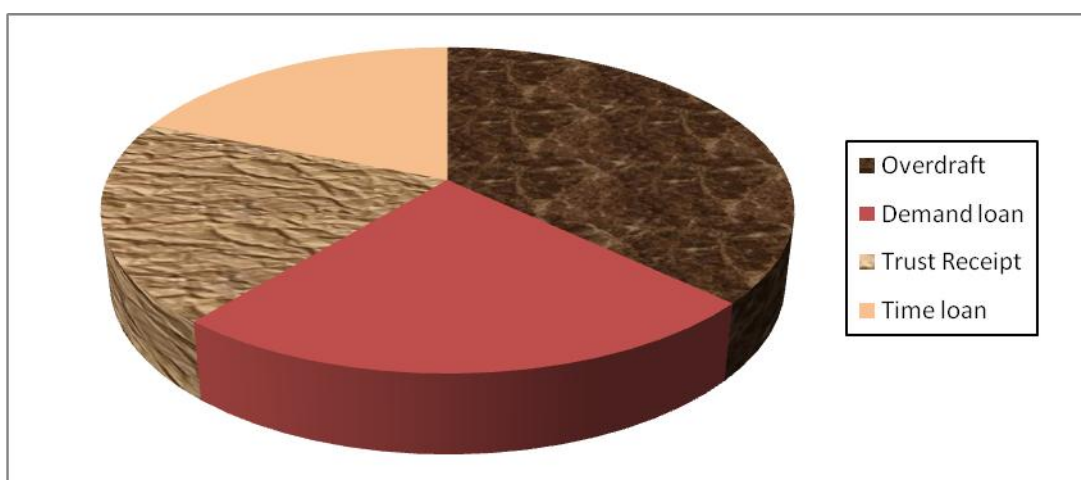


Fig 4.16 Shows that, in term of subdivision throughout the corresponding year 061/062 to 065/066, overdraft loan has highest repayment of Rs. 288.915 Rs. i.e. 37% of total amount Rs. 780.3243 crore of working capital loan

3. Consumption Loan

Consumption loans are loans to individual including credit to finance the purchase of automobiles, home appliances and other retails goods to repair and modernize homes, covers the cost of medical care and other personal expenses either extended directly to individual or indirectly retail dealers. Subdivision of consumption loans are:-

- i. Vehicle Loan
- ii. Personal overdraft
- iii. Home loan.

Table 4.15
Repayment loan of consumption loan as per subdivision

Rs. In crore

| Year | Subdivision | | | |
|------------|-------------|--------------------|-----------|----------|
| | Vehicle | Personal overdraft | Home loan | Total |
| 061/062 | 1.357 | 1.112 | 1.112 | 3.5805 |
| 062/063 | 3.4031 | 2.552 | 0.851 | 6.8062 |
| 063/064 | 6.3828 | 1.596 | 1.596 | 9.5748 |
| 064/065 | 5.3828 | 55.283 | 38.999 | 214.85 |
| 065/066 | 115.468 | 76.978 | 53.885 | 296.367 |
| Total | 288.951 | 190.44 | 153.627 | 780.3243 |
| Percentage | 37% | 24% | 20% | 100% |

Table 4.15 show the repayment loan of consumption loan as per subdivision. The flow of vehicle loan has gone up from Rs. 1.257 crore to Rs. 11.52 crore in FY 065/066, the flow of personal overdraft and Home loan has gone up from Rs. 1.112, and Rs. 1.112 to Rs. 6.869 and Rs. 8.921 crore in FY 061/062 respectively.

Fig 4.15

Repayment loan of consumption loan as per subdivision

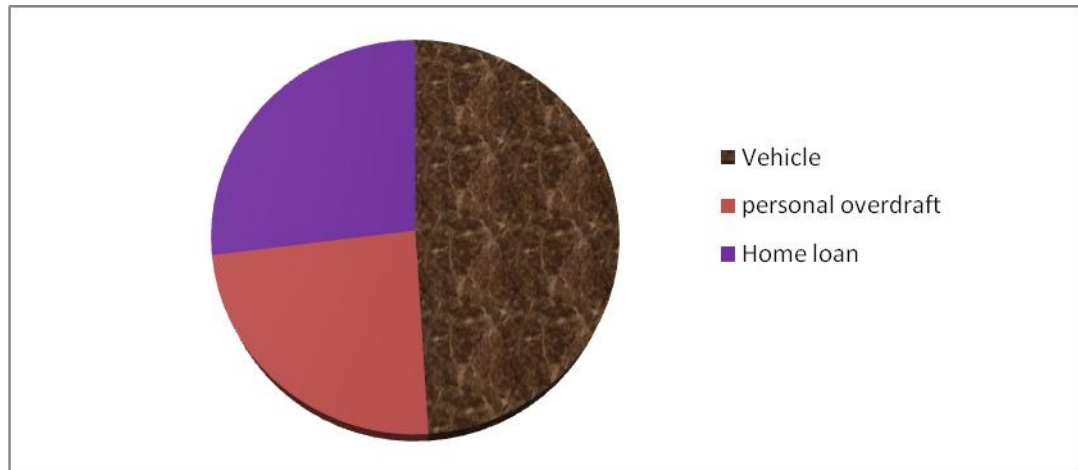


Fig shows that in term of subdivision throughout the corresponding year 061/062 to 065/066, vehicle loan has highest loan of Rs. 28.035 i.e. 49% of total outstanding loan amount of Rs. 56.449 crore of consumption loan.

4.7 Major findings of the Study

From the analysis of data can quieted the series data of 5 years presented in Chapter IV following essential findings are noticed.

- Siddhartha Bank Limited has categorized its deposit portfolio in to 4 types. Siddhartha Bank has highest average growth rate of 72.46% on call deposit and lowest average growth rate of 46.025% fixed deposit has average growth rate of 52.45% and 64.27%. Increasing at an average growth 45.86% per annual SBL has collected a total of Rs. 3905.1 crore in between F.Y. 2061/062 to F.Y. 2065/066. The percentage of call deposit is in increasing order from F.Y. 2061/062 to 2065/066 on average of 25.4% current deposit is almost constant in percentage from fiscal year 2061/062 to 2065/066 on average of 3.6% saving deposit is in decreasing orders from F.Y. 2061/062 to 2065/066 on average of 27% and fixed Deposit is in increasing order from F.Y. 2061/062 065/066 on average of

44%.

- Increasing at an average growth rate 51.82% per annual, SBL has disbursed total Rs. 3556.6 crore between fiscal year 2061/062 and 2065/066. The percentage or loan disbursement of SBL for working capital, consumption loan and Term loan found to lie at 49.83%, 12.77% and 37.41% respectively. The percentage of working capital has increased in F.Y. 2062/063, then in decreasing order and consumption loan has decreased in each year, but term loan has decreased in year 2062/063, then it is in increasing order.
- Increasing at an average growth rate 62.805% per annum, SBL has recovered total of Rs. 1872.7889 crore loan between fiscal year 2061/062 to 2065/066. The percentage composition of loan Recovery of SBL for working capital, consumption loan and Term loans found to be lie at 41.44%, 3.02% and 55% respectively. The percentage of loan recovery on working capital, consumption loan and Term loans seems to be fluctuating with the average growth rate of 55.57%, 75.18% and 69.38% per annum.
- Though consumption loan recovery has highest average growth but, term loan has highest percentage covered compare to other loan, during F.Y. 2061/062 to 2065/066 i.e. (49% 53.5%, 52%, 55.25%, 58% and 55%).
- Repayment pattern of term loan as per subdivision business loans seems to be at first position i.e. Rs. 337.14 crore, Home loan it in second position. i.e. Rs. 270.983 crore and Hire purchase is in third position i.e. Rs. 256.189 crore. In case of working capital as per subdivision repayment pattern of overdraft and demand loan seems to be effective with amount Rs. 288.951 crore and Rs. 190.44 crore.
- Increasing at an average growth rate of 48.19% per annum SBL has total outstanding loan of Rs. 42.53.2172 crore between F.Y. 2061/062 to 2065/066 The percentage composition of outstanding loan of SBL for

the working capital, consumption loan and term loans found to lie at 50.5%. 17.9% and 31.61% respectively. Percentage of loan outstanding on working capital % is increasing during F.Y 2061/062 to, 2063/064, then after it is in decreasing order. Outstanding loan of term loan is in increasing order during F.Y. 2061/062 to 2063/064, then after it is in constant level.

- Independent variables (deposit collection, Repayment loan and outstanding loan), showed high degree of positive correlation with loan Disbursement of SBL.
- The co-efficient of correlation between outstanding loan and disbursed loan of SBL has 0.99, which is more than six times of probable error. Thus the value of correlation (r) is significant.
- The regression equation of loan disbursement on outstanding loan has $Y = -1.14489 + 0.7205X$ which shows the positive relationship between disbursed loan and outstanding loan.

CHAPTER -V

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter includes three aspect of the study. Firstly, it presents the summary of the studies secondly it makes concluding remarks upon them and finally, it contains some useful suggestions and recommendations based on findings of the study.

5.1 Summary

The study has been conducted with the objectives of the analyzing the deposit collection, loan disbursement and loan recovery pattern of Siddhartha Bank Limited. The study was conducted by using secondary data and the collected data has been described. The study covers five years data from 061/062 to 2065/066 for this study the analytical as well as descriptive methods have been adopted. To analyze the data sample statistical analysis such as overage percentage) least square co-efficient correlation and regression analysis etc have been calculated. To present the data moreover clearly and attractively bar graph, line glaphs, pie charts also have used. The required data and information are mainly calculated from secondary sources.

Siddhartha Bank Limited accepts deposits from the public under various accounts namely saving, Fixed, Current and call account. Deposits are funds collected by bank from account holders for the security and transaction motives. It is the amount of money or a valuable item that is received in to a bank as security against possible loss. Deposits are the foundation upon with bank thrive and grow. So, Utilization of the bank deposits indicates effectiveness of management. The analysis on deposit collection of SBL, shows call deposit has highest average growth rate while saving deposit has lowest growth rate.

Loan is the amount expected to be . interest. SBL also provide loan to the customer for their productive use. The loans provided by SBL are term

loan, consumption loan and working capital loan. SBL has some formal limit of lending approved loan commitment from Rs. 1,00,000 to 25% of its core capital of the bank with interest rate of 15% to 16%. The duration of loan is usually from one year to 20 year. Loan Disbursement in higher on term loan and repayment of term is higher among other loan.

During the fiscal year 061/062 to 065/066, total loan disbursement for term loan, working capital loan and consumption loans are Rs. 1330.436, Rs. 1772.1148 and Rs. 454.2431 crore. Like wise outstanding loan for term loan, working capital and consumption loans are Rs. 919.8159 crore and repayment for term loan, working capital and consumption loans are Rs. 1035.5844, Rs. 780.324 and Rs. 56.949 crore.

According to subdivision of three types of loan disbursement, term loan and working capital loan seems to be effective area for loan disbursement because, term loan and working capital loan are those type of loan which are invested in income generating area, which resulted into regular cash flow, profit making, investment and return, income generation and employment generation. Moreover, repayment pattern of term loan as per subdivision business loans seems to be at first position i.e. Rs. 337.14 crore, Home loan it in second position. i.e. Rs. 270.983 crore and Hire purchase is in third position i.e. Rs. 256.189 crore. In case of working capital as per subdivision repayment pattern of overdraft and demand loan seems to be effective with amount Rs. 288.951 crore and Rs. 190.44 crore.

5.2 Conclusion

From the analysis of the main findings of the study, following conclusion can be drawn about deposit collection, loan disbursement and loan recovery of SBL.

1. The average growth rate of deposit collection, loan disbursement, loan recovery and outstanding loan is 45.86%, 51.82%, 62.81% and 48.19% respectively.
2. Average growth rate of Deposit collection loan disbursement and

outstanding loan is near each other. Which indicate that there is no high liquidity or low liquidity. So, Deposit collection, loan disbursement and lona recovery of SBL has satisfactory between fiscal year 2061/062 to 2065/066.

3. Average growth rate of repayment has greater than the average growth rate of loan disbursement i.e., which indicates the average growth rate of outstanding loan has decreased. So, loan disbursement and repayment situation of SBL has satisfactory between fiscal year 2061/062 to 2065/066.
4. The percentage of Term loan has been continuously increasing in each year it showed that term loan has highest growth rate which suggest that increasing attraction and requirement of term loan.
5. Looking at repayment situation on type wise loan disbursement of loan, the term-loan has higher percentage of repayment to the total loan disbursement as compare to another type of loan.
6. The total amount of deposit collection trend is increased and almost of the type- wise deposit collection also increased. The fixed deposit and call deposit covered high amount of deposit.
7. There was a high degree of positive correlation between loan disbursement with deposit collection, loan recovery and outstanding loan.

5.3 Recommendations

Based on the analysis of the findings and conclusion of the study following recommendations are offered to further improve the design, delivery and management of deposit collection loan disbursement and loan repayment of SBL.

1. For the proper mobilization of deposit, bank must be prepared to take more risk on their lending and investment to encourage the borrowing by the units of the economy. In other word it's time for SBL to divert their traditional collateral taking process in to more realistic and

potential aspects. They must provide loan for a project on the basis of its potentiality instead of sound and safe collateral.

2. In order to develop the banking and saving habit of the people of remotes area in the nation, Bank should not be surrounded and limited within the urban area and not to be gathered around the big clients. So, extension of its services towards rural area and priority sector indicated by the government is must for boosting up the living standard of lower level people.
3. The Bank should make a continuous effort to explore new, competitive and highly yielding investment opportunities to optimize their investment portfolio.
4. Lending rate should be changed according to the bearing capacity of people and maturity period of loan repayment.
5. While analyzing the deposit pattern, it is found that maximum amount of deposit is collected from fixed deposit which is good result for the company. So, the Bank is suggested to increase the weight of fixed deposit in the total deposit without ignoring other types of deposits through development of different schemes such as deposit insurance scheme, worker saving schemes etc.
6. Company should carefully examine safety of principal as well as sources of repayment, capital structure and credit worthiness of a borrower for providing credits. Similarly, loan administration that comprises appraisal of loan project, sanction, disbursement follow-up, monitoring, supervision and collection of loan should be strength. For this purposes, skilled personal with expertise in financial analysis should be employed. The existing personal should be trained to make expert in financial analysis.
7. Analysis period shows that repayment of term loan is higher among the repayment of other loan. As per sub-division business loan seems higher in repayment. Moreover, it is the most productive area for loan disbursement. So, it would be better to increase loan disbursement for

business loan.

8. In order to increase the repayment pattern of loan disbursement, Bank should apply the free service without any charge for those clients who want to repay their installment loan in advance than their time period and also should provide special reward for them.

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Appendix-I

Least square trend line of total loan Disbursement

Let the straight line trend be $Y = a + bx$i

Fitting of trend line by least square method

Rs in crore.

| F.Y | Year (x) | Loan (y) | x= X-3 | X ² | xy |
|---------------------|-------------|----------|----------------|-------------------|--------------------|
| 2061/062 | 1 | 257.1 | -2 | 4 | -514.2 |
| 2062/063 | 2 | 368.9 | -1 | 1 | -368.9 |
| 2063/064 | 3 | 632 | 0 | 0 | 0 |
| 2064/065 | 4 | 948.1 | 1 | 1 | 948.1 |
| 2065/066 | 5 | 1350.5 | 2 | 4 | 2701 |
| $\Sigma y = 3556.6$ | | | $\Sigma x = 0$ | $\Sigma x^2 = 10$ | $\Sigma xy = 2766$ |

Since, $x=0$ so, $a = \frac{\Sigma y}{n} = \frac{3556.6}{5} = 711.32$

$b = \frac{\Sigma xy}{\Sigma x^2} = \frac{2766}{10} = 276.6$

Substituting the value of a & b in eq (1) the equation of the trend line is

$Y = 751.32 + 276.6x.$

Appendix-II

Least square trend line of loan Repayment

Let the straight line trend be, $y = a + bx$ ----(i)

Fitting of trend line by least square method.

| F.Y | Year (x) | Repayment (y) | x= X-3 | X ² | xy |
|------------------------|-------------|------------------|----------------|----------------------|---------------------------|
| 2061/062 | 1 | 111.1958 | -2 | 4 | -222.3916 |
| 2062/063 | 2 | 170.1551 | -1 | 1 | -170.1551 |
| 2063/064 | 3 | 319.16 | 0 | 0 | 0 |
| 2064/065 | 4 | 502.493 | 1 | 1 | 502.493 |
| 2065/066 | 5 | 769.785 | 2 | 4 | 1539.57 |
| $\Sigma y = 1872.7889$ | | | $\Sigma x = 0$ | $\Sigma x^2 =$ 10 | Σxy =1649.5163 |

Since, $\Sigma x = 0$, So, $a = \frac{\Sigma y}{n}$

$$= \frac{1872.7889}{5} = 374.5578$$

$$b = \frac{\Sigma xy}{\Sigma x^2} = \frac{1649.5163}{10} = 164.9516$$

Substituting the value of a & b in eq (1), the equation of the trend line is,

$$Y = 374.5578 + 164.9516x.$$

Appendix-III

Least square trend line of outstanding loan.

Let, the straight line trend be, $y = a + bx$ ___(i)

Fitting of trend line by least square method.

| F.Y | Year (x) | Repayment (y) | x= X-3 | X ² | xy |
|------------------------|-------------|------------------|----------------|----------------------|--------------------------|
| 2061/062 | 1 | 386.2958 | -2 | 4 | -772.5916 |
| 2062/063 | 2 | 585.0407 | -1 | 1 | -585.0407 |
| 2063/064 | 3 | 897.8807 | 0 | 0 | 0 |
| 2064/065 | 4 | 1343.4877 | 1 | 1 | 1343.4877 |
| 2065/066 | 5 | 1924.7027 | 2 | 4 | 3849.4054 |
| $\Sigma y = 5137.4076$ | | | $\Sigma x = 0$ | $\Sigma x^2 =$ 10 | Σxy =3835.261 |

Since, $x = 0$, So, $q = \frac{\Sigma y}{n}$

$$= \frac{5137.4076}{5} = 1027.4815$$

$$b = \frac{\Sigma xy}{\Sigma x^2} = \frac{3835.261}{10} = 383.5261$$

Substituting the value of a & b in eq (1), the equation of the trend line is,

$$y = 1027.4815 + 383.5261x.$$

Appendix-IV

Karl person's co-efficient correlation between deposits
Collection and loan Disbursement.

Let,

Deposit collection = X

Loan Disbursement = Y

Computation of correlation co-efficient.

| F.Y. | Deposit (x) collection | Loan (y) Disburse | (Dx) = x- \bar{x} | (dy) = y- \bar{y} | (dx) ² | (dy) ² | dx dy |
|--------------|------------------------------|------------------------|------------------------|------------------------|-----------------------------------|------------------------------|----------------|
| 2061/06 2 | 2.462 | 2.571 | -5.8102 | -4.5422 | 33.7584 | 20.6316 | 26.391 2 |
| 2062/06 3 | 3.918 | 3.689 | -3.8922 | -3.4242 | 15.1492 | 11.7252 | 13.327 7 |
| 2063/06 4 | 6.625 | 6.320 | 1.1852 | -0.7932 | 1.4047 | 0.6292 | .9401 |
| 2064/06 5 | 10.191 | 9.481 | 2.3808 | 2.3678 | 5.6682 | 5.6065 | 5.6575 |
| 2065/06 6 | 15.855 | 13.505 | 8.0448 | 6.3918 | 64.7188 | 40.8551 | 51.420 8 |
| | $\Sigma x =$ 39.051 | $\Sigma y =$ 35.566 | | | $\Sigma (dx)^2 =$ 120.699 3 | $\Sigma (dy)^2 =$ 79.4476 | $\Sigma dx dy$ |

$$\bar{x} = \frac{\Sigma x}{n} = \frac{39.051}{5} = 7.8102$$

$$\bar{Y} = \frac{\Sigma y}{n} = \frac{35.566}{5} = 7.1132$$

$$r_{xy} = \frac{\Sigma dx dy}{\sqrt{\Sigma dx^2 \times \Sigma dy^2}} = \frac{97.7172}{\sqrt{120.6993 \times 79.4476}} = \frac{97.7171}{97.9148} = 0.998$$

$$\text{PER.} = 0.6745 \times \frac{l-r'}{\sqrt{n}} = 0.6745 \times \frac{(0.998)^2}{\sqrt{5}} = 0.00121$$

$$6.\text{Per.} = 6 \times 0.00121 = 0.00723$$

$\therefore r_{xy} > 6.\text{p.er.}$

Appendix-V
Karl person's co-efficient correlation between Loan
Disbursement and outstanding loan.

Let,
 Outstanding loan = X
 Loan Disbursement = Y

| F.Y. | Outstandi ng (x) loan | Loan (y) Disburse | (Dx) = x- \bar{x} | (dy) = y- \bar{y} | (dx) ² | (dy) ² | dx dy |
|--------------|-----------------------------|------------------------|------------------------|------------------------|-------------------------------|------------------------------|-------------------------------------|
| 2061/06 2 | 3.8629 | 2.571 | -6.4119 | -4.5422 | 41.1125 | 20.6316 | 29.1241 |
| 2062/06 3 | 5.5804 | 3.689 | -4.4244 | -3.4242 | 19.5753 | 11.7252 | 15.1500 |
| 2063/06 4 | 8.9788 | 6.320 | -1.296 | -0.7932 | 1.6716 | 0.6292 | 1.028 |
| 2064/06 5 | 13.4349 | 9.481 | 3.16.2 | 2.3678 | 1.9862 | 5.6065 | 7.4825 |
| 2065/06 6 | 19.2470 | 13.505 | 8.9722 | 6.3918 | 80.5004 | 40.8551 | 57.3485 |
| | $\Sigma x =$ 51.374 | $\Sigma y =$ 35.566 | | | $\Sigma (dx)^2 =$ 152.8540 | $\Sigma (dy)^2 =$ 79.4476 | $\Sigma dx dy$ = 110.133 1 |

$$\bar{X} = \frac{\Sigma x}{n} = \frac{51.376}{5} = 10.2748$$

$$\bar{Y} = \frac{\Sigma y}{n} = \frac{35.566}{5} = 7.1132$$

$$r_{xy} = \frac{\Sigma dx dy}{\sqrt{\Sigma (dx)^2 \times \Sigma (dy)^2}}$$

$$= \frac{110.1331}{\sqrt{152.8540 \times 79.4416}} = \frac{110.1331}{110.1951} = 0.99$$

$$P.E.r. = 0.6745 \times \frac{l-r^r}{\sqrt{n}} = 0.6745 \times \frac{(.99)^2}{\sqrt{5}} = 0.006$$

$$6P.r. = 6 \times 0.006 = 0.0360$$

$\therefore r_{xy} > 6.P.E.r.$

Appendix-VI

Karl person's co-efficient correlation between loan disbursement and loan Repayment.

Let, Loan Disbursement = Y

Loan Repayment = X

| F.Y. | Repayme nt Loan(x) | Loan (y) Disburse | (Dx) = x- \bar{x} | (dy) = y- \bar{y} | (dx) ² | (dy) ² | dxdy |
|--------------|--------------------------|------------------------|------------------------|------------------------|------------------------------|------------------------------|-------------------------------|
| 2061/06 2 | 1.112 | 2.571 | -26336 | -4.5422 | 6.9359 | 20.6316 | 11.9623 |
| 2062/06 3 | 1.7016 | 3.689 | -2.044 | -3.4242 | 4.1779 | 11.7252 | 6.9991 |
| 2063/06 4 | 3.1916 | 6.320 | -.554 | -0.7932 | 0.3069 | 0.6292 | .4394 |
| 2064/06 5 | 5.0249 | 9.481 | 1.2793 | 2.3678 | 1.6366 | 5.6065 | 3.0291 |
| 2065/06 6 | 7.6978 | 13.505 | 3.9522 | 6.3918 | 15.1699 | 40.8551 | 25.2617 |
| | $\Sigma x =$ 18.7279 | $\Sigma y =$ 35.566 | | | $\Sigma (dx)^2 =$ 28.6772 | $\Sigma (dy)^2 =$ 79.4476 | $\Sigma dxdy$ = 47.6956 |

$$\bar{X} = \frac{\Sigma x}{n} = \frac{18.7279}{5} = 3.7456$$

$$\bar{Y} = \frac{\Sigma y}{n} = \frac{35.566}{5} = 7.1132$$

$$\begin{aligned} r_{xy} &= \frac{\Sigma dxdy}{\sqrt{\Sigma (dx)^2 \times \Sigma (dy)^2}} \\ &= \frac{47.6916}{\sqrt{28.6772 \times 79.4476}} = \frac{47.6916}{47.73191} = 0.999 \end{aligned}$$

$$P.E.r. = 0.6745 \times \frac{l-r^r}{\sqrt{n}} = 0.6745 \times \frac{(.999)^2}{\sqrt{5}} = 0.00023$$

$$6 P.r. = 6 \times 0.00023 = 0.001366$$

$\therefore r_{xy} > 6.P.E.r.$

Appendix-VII

Let the regression of Y on X be. The normal equation is $y = a + bx$ (i)
to find the value of a and b, we have the following two normal equations.

$$\Sigma y = na + b \Sigma x \text{ (i)}$$

$$\Sigma Xy = a \Sigma x + b \Sigma x^2 \text{ (II)}$$

Regression equation of Deposit collection and loan Disbursement.

| F.Y | Deposit collection (x) | Loan Disburse (y) | X ² | XY |
|----------|------------------------|---------------------|----------------------------|---------------------------|
| 2061/062 | 2.462 | 2.571 | 6.0614 | 6.3293 |
| 2062/063 | 3.918 | 3.689 | 15.3507 | 14.4535 |
| 2063/064 | 6.625 | 6.320 | 43.8906 | 41.87 |
| 2064/065 | 10.191 | 9.481 | 103.8565 | 96.6209 |
| 2065/066 | 15.855 | 13.505 | 251.3810 | 214.1218 |
| | $\Sigma x =$ 39.051 | $\Sigma y = 35.566$ | $\Sigma x^2 =$ 420.5402 | $\Sigma xy =$ 373.3953 |

Substituting the value of n, Σx , Σy , Σx^2 , Σxy in eq (ii) and (iii)
we have,

$$35.566 = 59 + 39.051b \text{ (iv)}$$

$$373.3959 + 39.51 a + 420.5402 b \text{ (v)}$$

From equation (iv)

$$a = \frac{35.566 - 39.251b}{5} \text{ (vi)}$$

Putting the value of 'a' in equation (v) then,

$$373.3959 = 39.05 \times \frac{(35.566 - 39.251b)}{5} + 420.4502b$$

$$\text{or, } 373.3959 = 277.7776 - 304.9961b + 420.4502b$$

$$\text{or, } 45.6183 = 115.5441b$$

$$\text{or, } b = \frac{45.6183}{115.5441} = 0.8275 \quad = \therefore b = 0.8275$$

Putting the value of b in eq (vi) we get,

$$a = \frac{35.566 - 39.251 \times 0.8275}{5}$$

$$= 0.6503$$

$$\therefore a = 0.6503$$

Hence, the regression equation y and X

$$Y = 0.63503 + 0.8275X$$

Where,

a and b are constant Y is dependent variable (loan Disbursement)

X is independent variable (Deposit collection)

Appendix-VIII

Let the regression of Y on X be. The normal equation is $y = a + bx$ ___(i)
to find the value of a and b, we have the following two normal equations.

$$\Sigma y = na + b \Sigma x \text{ ___(ii)}$$

$$\Sigma Xy = a \Sigma x + b \Sigma x^2 \text{ ___(iii)}$$

Regression equation of outstanding loan and loan Disbursement

| F.Y | Outstanding loan (x) | Loan Disburse (y) | X^2 | XY |
|----------|-------------------------|----------------------|----------------------------|---------------------------|
| 2061/062 | 3.8629 | 2.571 | 14.9219 | 9.9315 |
| 2062/063 | 5.5804 | 3.689 | 34.2272 | 21.5821 |
| 2063/064 | 8.9788 | 6.320 | 80.6188 | 56.7460 |
| 2064/065 | 13.4349 | 9.481 | 180.4965 | 127.3763 |
| 2065/066 | 19.2470 | 13.505 | 370.447 | 259.9307 |
| | $\Sigma x = 51.374$ | $\Sigma y = 35.566$ | $\Sigma x^2 =$ 680.7114 | $\Sigma xy =$ 475.5666 |

Substituting the value of n, Σx , Σy , Σx^2 , Σxy in eq (ii) and (iii)
we have,

$$35.566 = 5a + 374b \text{ ___(iv)}$$

$$475.5666 = 51.374a + 680.7114b \text{ ___(v)}$$

From equation (iv)

$$a = \frac{35.566 - 51.374b}{5} \text{ ___(vi)}$$

Putting the value of 'a' in equation (v) then,

$$475.5666 = 51.374 \times \frac{(35.566 - 51.374b)}{5} + 680.7114b$$

$$\text{or, } 475.5666 = 365.4335 - 527.8576b + 680.7114b$$

$$\text{or, } 110.1331 = 152.8538b$$

$$\text{or, } b = \frac{110.1331}{152.8538}$$

$$b = 0.7205$$

$$\therefore b = 0.7205$$

Putting the value of b in eq (vi) we get,

$$a = \frac{35.566 - 51374 \times 0.7205}{5}$$

$$\therefore a = 1.4489$$

Hence, the regression equation y and X

$$Y = a + bx$$

Where, a and b are constant

Y is dependent variable (loan Disbursement)

X is independent variable (outstanding loan)

Appendix-IX

Let the regression of y on X be, the normal equation is $y = a + bx$ ____ (i)

to find out the value of a and b, we have the following two normal equations.

$$\Sigma y = na + b \Sigma x \text{ ____ (i)}$$

$$\Sigma xy = a \Sigma x + b \Sigma x^2 \text{ ____ (ii)}$$

Regression equation of Repayment loan and loan Disbursement

| F.Y | Deposit collection (x) | Loan Disburse (y) | X ² | Xy |
|----------|------------------------|---------------------|------------------------|------------------------|
| 2061/062 | 1.112 | 2.571 | 1.2365 | 2.8689 |
| 2062/063 | 1.7016 | 3.689 | 2.8954 | 6.2772 |
| 2063/064 | 3.1926 | 6.320 | 10.1927 | 20.1709 |
| 2064/065 | 5.0249 | 9.481 | 25.2496 | 47.6411 |
| 2065/066 | 7.6978 | 13.505 | 59.2561 | 103.9588 |
| | $\Sigma x = 18.7278$ | $\Sigma y = 35.566$ | $\Sigma x^2 = 98.8303$ | $\Sigma xy = 180.9069$ |

Substituting the value of Σx , Σy , Σx^2 , Σxy in eq (ii) and (iii)

we have,

$$35.566 = 6a + 18.7279 b \text{ ____ (iv)}$$

$$180.9069 = 18.7279a + 98.8303b \text{ ____ (V)}$$

from eq (iv)

$$a = \frac{35.566 - 18.7279b}{5} \text{ ____ (vi)}$$

Putting the value of a in eq (V)

$$180.9069 = 18.7279x \frac{(35.566 - 18.7279b)}{5} + 98.8303b$$

$$\text{or, } 180.9069 = 133.2153 - 70.1468b + 98.8303b$$

$$\text{or, } 47.6916 = 28.6835b$$

$$\text{or, } b = \frac{47.6916}{28.6835}$$

$$\text{or } b = 1.6027$$

$$\therefore b = 1.6627$$

Putting the value of b in eq. (vi)

$$a = \frac{35.566 - 18.7279 \times 1.6627}{5}$$

$$a = \frac{4.4274}{5}$$

$$= 0.8855$$

$$\therefore a = 0.8855.$$

Hence, the regression eq of y and X, $y = 0.8855 + 1.6627x$

Where, a and b are constant

y is dependent variable (loan Disbursement)

X is independent variable (Loan Repayment)