

**A STUDY ON THE ROLE OF RURAL DEVELOPMENT BANK
IN INCOME GENERATION OF SHREEPUR
VILLAGE, KANCHANPUR**

A THESIS

Submitted By:

ANAND SINGH BUDAL

Roll No. : 781/062

Batch : 2062/064

Regd. No. : 7-3-25-307-2005

Symbol No : 1710/064

Submitted to:

Office Of the Dean

Faculty of Management

Tribhuvan University

**In Partial Fulfillment of the Requirments for the
Masters Degree of Business Studies (MBS)**

Minbhawan, Kathmandu

July. 2010

RECOMMENDATION

This to certify that Mr. Anand Singh Budal has prepared this thesis on "A STUDY ON THE ROLE OF RURAL DEVELOPMENT BANK IN INCOME GENERATION OF SHREEPUR VILLAGE, KANCHANPUR" Under my supervision. He has successfully completed his research work and I'm fully satisfied with his research methodology, data presentation and others.

This thesis is in the form as required by the Faculty of Management. It is forwarded for examination.

I recommend the thesis for approval and acceptance.

.....
(Prof. Dr. B.B. Pokharel)
Head of Research Dept.

.....
(Dr. Prakash Neupane)
Thesis Advisor

.....
(Diwakar Pokhrel)
Campus Chief

VIVA - VOCE SHEET

The Thesis Report Presented

by

ANAND SINGH BUDAL

entitled

A study on the Role of Rural Development Bank in Income Generation of Shreepur Village, Kanchanpur has been accepted as the Partial Fulfillment of the Requirement for the Degree of Master of Business Studies.

Viva - Voce Committee:

Chairman (Research Department) :

Member (Thesis Supervisor) :

Member (Thesis Supervisor) :

Member (External Expert) :

Date :

DECLARATION

I hereby declare that the work reported in this thesis entitled "**A Study on the Role of Rural Development Bank in Income Generation of Shreepur Village, Kanchanpur**" submitted to Nepal Commerce Campus, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement for the Degree of Business Studies (MBS) under the supervision of Prof. Dr. B.B. Pokharel and Dr. Prakash Neupane.

Date.....

.....
Anand Singh Budal
Researcher
Nepal Commerce Campus
Roll No. 781/062

ACKNOWLEDGEMENTS

This dissertation has been prepared for the Partial Fulfillment of Masters Degree in Business Study (MBS). It is specially regarded with A Study on the Role of Rual Development Bank in Income Generation of Shreepur Village, Kanchanpur. I hope this thesis helps to the Managers of Rural Development Bank Kanchanpur to operate it efficiently.

I would like to pay my deep respect and sincere thanks to Prof. Dr. Binod Bihari Pokharel and Dr. Prakash Neupane my thesis advisors for their valuable and timely suggestions in the process of my research work.

I would like to thank all the staffs of SP-RDB for their help and cooperation. I am specially debited with Mr. Hira Singh Budal, Karan Bhandari for their cooperation.

I would like to express heart-felt gratitude to my elder brother Ram Singh Budal and Uttam Singh Budal who helped me in this regard.

I should not forget help of my friends Mr. Bir Singh Ghatal, Mr. Siddha Raj Bhatt, Shanker Datt Pant and also Principle of DNSSR for giving necessary helps while completing this thesis.

Lastly, I wish to thank Harati Books And Stationary, Tahachal for computerizing this thesis correctly and timely.

Anand Singh Budal
Khadeni, Baitadi

TABLE OF CONTENTS

VIVA-VOCE SHEET	I
RECOMMENDATION	II
DECLARATION	III
ACKNOWLEDGEMENTS	IV
TABLE OF CONTENTS	V
LIST OF TABLE, DIAGRAMS AND CHARTS	IX
LIST OF ABBREVIATIONS	X

CHAPTER - I

1. INTRODUCTION	1-5
1.1 Introduction	1
1.2 Statement of the Problem	3
1.3 Objectives of the Study	4
1.4 Significance of the Study	4
1.5 Limitation of the Study	5
1.6 Scheme of the Study	5

CHAPTER – II

2. REVIEW OF LITERATURE	6-42
2.1 Conceptual Review	6
2.2 Review of Development Economic plans	11
2.2.1 Review of Eighth Plan (2049-2054)	12
2.2.2 Review of Ninth Plan (1997-2002)	13
2.3 Review of Dissertation	14
2. 4 RDB and Rural Development Banking System	19
2.4.1 Banking System	19
2.4.2 Introduction of Rural Development Bank :(An Outline)	20
2.4.3 Evolution of Rural Development Bank :	

(The Origin of Rural Banking System in World)	20
2.4.4 About Rural	21
2.4.5 Objectives of Rural Development Bank	23
2.4.6 Some Important Features of Rural Development Bank	24
2.4.7 Rural Philosophy	24
2.4.8 Introduction of Rural Development Bank (An Online)	25
2.4.8.1 Objectives of RDB	29
2.4.8.2 The Scenario of RDB	30
2.4.8.2.1 Establishment	30
2.4.8.2.2 Location of Central Office	30
2.4.8.2.3 Work Area	30
2.4.8.2.4 Capital Structure	30
2.4.8.2.5 Share Holders and Number of Shares	30
2.4.8.2.6 Commencement of Loan Distribution	31
2.4.8.2.7 Loan Distribution by Bank	31
2.4.8.2.8 Loan Amount	31
2.4.8.2.9 Interest Rate	31
2.4.8.2.10 Time Duration of Loan	32
2.4.8.2.11 Types of Savings	32
2.4.8.2.12 Organizational Structure of RDB (SP-GBB)	33
2.4.8.2.13 Statement of Branches of RDB (SP-GBB)	34
2.4.9 Terminologies Used in RDB	35
2.4.9.1 Credit Policy	35
2.4.9.2 A Group	36
2.4.9.3 Center	37
2.4.9.4 Credit Without Collateral Securities	38
2.4.9.5 Regular and Group Saving	38
2.4.9.6 Loan Proposal	38
2.4.9.7 Loan Approval	38

2.4.9.8 Loan Disbursement	39
2.4.9.9 Main Features of Programs	39
2.4.9.10 Commitment	39
2.4.10 Introduction to Study Area	40
2.4.10.1 Climate	41
2.4.10.2 Agro-Products	42
2.4.10.3 Rainfall	42
2.4.10.4 Languages	42
2.4.10.5 Occupation	42

CHAPTER – III

3. RESEARCH METHODOLOGY	43-47
3.1 Research Design	43
3.2 Sources of Data	45
3.2.1 Primary Sources of Data	45
3.2.2 Secondary Sources of Data	45
3.3 Population and Sample	45
3.4 Method of Data Collection	46
3.4.1 Method of Primary Data Collection	46
3.4.2 Method of Secondary Data Collection	46
3.5 Data Analysis	46
3.5.1 Qualitative Analysis	47
3.5.2 Quantitative Analysis	47

CHAPTER – IV

4. DATA PRESENTATION AND ANALYSIS	48-102
4.1 Land Ownership Pattern	48
4.2 Housing Condition	51
4.3 Treatment Capacity	55
4.4 Educational Status	59

4.5 Toilet Position	61
4.6 Occupational Pattern	65
4.7 Monthly Income Generation of the Villagers	69
4.8 Monthly Saving	72
4.9 Utilization of Saving	77
4.10 Property Ownership	81
4.11 Financial Analysis of RDB	84
4.11.1 Ratio Analysis	85
4.11.2 Income Analysis	95
4.11.3 Expenses Analysis	96
4.11.4 Cost Volume-Profit Analysis	98
4.11.5 Profit and Loss Analysis	100
4.11.6 Financial Position Analysis	101
4.11.7 Fund Flow Analysis	101
4.11.8 Cash Flow Analysis	102

CHAPTER – V

5. SUMMARY, FINDINGS AND RECOMMENDATIONS	103-107
5.1 Summary	103
5.2 Findings	105
5.3 Recommendations	107

BIBLIOGRAPHY

SUPPLEMENTARY QUESTIONNAIRE

LIST OF TABLES, DIAGRAMS AND CHARTS

<u>Charts</u>	<u>Page</u>
i. Organizational Structure Chart of RDB	19
ii. Statement of Branches of RDB	20
iii. Research Design Chart	44

<u>S.N.</u>	<u>Description</u>	<u>Table No.</u>	<u>Page</u>
1.	Land Ownership Pattern	4.1	49
2.	Housing Condition	4.2	52
3.	Treatment Capacity	4.3	56
4.	Educational Status	4.4	59
5.	Toilet Position	4.5	61
6.	Occupational Pattern	4.6	65
7.	Monthly Earning	4.7	69
8.	Monthly Saving	4.8	73
9.	Utilization of Saving	4.9	77
10.	Property Ownership Pattern	4.10	82
11.	Current Ratio	4.11. i	87
12.	Quick Asset Ratio	4.11.ii	88
13.	Debt Equity Ratio	4.11.iii	91
14.	Long term Debt to Capital Ratio	4.11.iv	92
15.	Interest Coverage Ratio	4.11.v	94
16.	Sources of Income of RDB	4.11.vi	96
17.	Expenses of RDB	4.11.vii	97

List of Abbreviation

BEP	- Break Even Point
CBS	- Central Bureau of Statistics
CVP	- Cost Volume Profit
d.f.	- degree of freedom
DPS	- Dividend Per Share
EPS	- Earning Per Share
FY	- Fiscal Year
IBP	- Intensive Banking Programme
ILO	- International Labour Organization
INGO	- International Non-Government rganization
IRDP	- Integrated Rural Development Programme
MCRW	- Micro Credit Project of Rural Woman
NGO	- Non-Government Organization
NPC	- National Planning Commission
Pas-RDB	- Paschimanchal Rural Development Bank
PCRW	- Productive Credit for Rural Women
P-RDB	- Purbanchal Rural Development Bank
RB	- Rural Bank
RBFS	- Rural Bank Financial System
RDB	- Rural Development Bank
RMDC	- Rural Micro Development Centre
SFDP	- Small Farmer Development Programme
SP-RDB	- Suder Paschimanchal Rural Development Bank
VDC	- Village Development Committee

CHAPTER – I

1.1 Introduction

"Nepal is a land-locked country with frontiers adjoining India and China. It is situated at the southern slopes of the Himalayas, which form the great mountainous area of the South-Asia region. Its topography is mostly mountainous and hilly. Out of its total area of 147181 sq. kms, 35.2% and 41.7% are occupied by mountains and hills respectively while the remaining 23.1% is mostly fertile plain, known as Terai. The climate varies with the altitude. While at higher altitudes winter is long and very cold and summer is mild and brief at lower altitudes (e.g. Terai) the summer is longer and also hot. There is a good deal of variations in rainfall over different parts of the country. Most of the rainfall occurs during July to September. The average rainfall in a normal year is 1500 millimeters. The summer rain varies from down-pour in eastern part to height one in western part as well as from the north to the south in the same manner. Rainfall plays a very critical role in this very predominantly agrarian country. Flora and fauna differ with variations in geographical environment."¹

"Nepal is a small Himalayan kingdom situated between 26°22' to 30°27' north latitude and 80°4' to 88°12' east longitude with sub-tropical and cool temperature. According to 1991 census, the population of Nepal is 1,84,91,097. Out of which 92,20,974 are males and 92,70,123 are females. The density of population is 123 per square kilometer."²

"Nepal is ranked among the poorest of the poor countries (Rank 125th among 132 countries in the world development report 1998). The population

1 Khanna, B.S., Rural Development in South Asia, (1991), p-4, Deep publication.

2 The Central Department of Economics, The Economic Journal of Nepal, Vol-23, T.U.

below poverty line of purchasing power parity dollars (ppp\$) per capita per day is 53 percent, while population below national poverty line is 42 percent. The first national level household survey conducted by the National Planning Commissions of Nepal in 1976/77 estimated absolute poverty incidence based on minimum consumption poverty line at 32.1 percent of Nepal. The corresponding figures based on the income approach were 37.2 percent, and 36.2 percent respectively for rural, urban and all Nepal.

The human development report 1998 ranked Nepal as 152nd among 174 countries deprivations among large sections of population. For example nearly 60 percent of adult males and more than 80% of adult females are illiterate, about 47% children under five years are under weight about two-third population have no access to modern health services, more than four fifty of population are deprived of sanitation facility. There is only one doctor per 20 thousand people. One out of eight children die before age five, less than 10% of births are attended by trained health personnel, about 64% children (6- 36 months) in rural areas suffer from chronic malnutrition or suffer stunting (49% for urban areas), about 62% children under five have diarrhea, 40 thousand children die every year from diarrhea, about 22% of population is expected to live less than 20 years, 50 thousand TB patients are added every years."³

"The problem of poverty has posed itself as a big challenge to Nepal. The income and consumption level and over all living standards of the people have remained very low. To raise the living standard of the people in a sustainable manner by alleviating the existing poverty has become the biggest challenge ever. The great majority of the population lives in the villages and big segment of them is poor. In this context, from the very beginning of the planned economic development process, great stress has been laid on the

3 Economics Overview, vol-2,(March15,2000),pp-8-9.

development of agriculture and physical infrastructure in order to improve the living standard of the common people. To this effect, the seventh plan has formulated elaborate program with a view to fulfil the basic needs of the people. poverty alleviation was enshrined as one of the main objectives in the eighth plan and, with a view to addressing poverty in a planned way of comprehensive policies and targeted programs were hammered out and put in implementation.

At the time of the commencement of eighth plan, 49 percent of the people were estimated living below the absolute line. The objective of the plane was to bring down the same to 42 percent. A living standard survey conducted in 1976 revealed 42 percent of the people still living below poverty line. From poverty alleviation angle, the picture is far from encouraging."⁴

"In the background of the natural resources of Nepal, agriculture and forest resources are the main basic of the Nepalese economy, which contribute to raising living standard of the majority of the people. As these are the foundation for the developments of the non-agricultural sectors are developed as industries on the basis commercialization, poverty alleviation is not possible. Therefore, it is clear that attain poverty alleviation, which is the main objectives of the ninth plan, agriculture and forestry plan a major role."⁵

1.2 Statement of the Problem:

Most people in Nepal live below the poverty line due to low agricultural production lack of employment opportunities and increasing population etc.

To solve these problem, RDB play great role. It provides lone to the poor people to do something themselves. Following are the issues that the study has focused to solve:

⁴ National Planning Commission, The Ninth Plan (1997-2002), july, 1998. p-196.

⁵ IBID, P-311.

- What role is played by RDB for improving the earning capacity of the villagers ?
- Has the loan effective for their economic up-liftment?
- Whether the loan provided by RDB to villages is utilized effectively or not?
- Are there any changes in earning capacity of the villages after establishment of RDB?

1.3 Objectives of the Study:

The major objective of this study will be as followings:

- To study the role of RDB for improving the economic activities of the villagers specially income generations.
- To study and analyze whether RDB plays significant role to mobilize the rural saving efficiently or not.
- To examine the improvement made by RDB after its establishment and evaluate its financial position.
- To provide suggestions and recommendations for more effective implementation of rural development program on the basis of study findings.

1.4 Significance of the Study:

Some major significance of the study will be as followings:

- It helps to improve the economic capacity of the villages by suggesting the way of earning capacity.
- It suggests RDB to mobilize the rural saving effectively.
- It provides various suggestions and recommendations to implement various new programs.

1.5 Limitations of the Study:

Every study has its own limitation. So this study has/will be also some limitations. Which are as follows:

- This study is focused on the role of RDB for improving earning capacity of the villagers of Shreepur VDC Kanchanpur district only. It does not cover the whole working area.
- This study covers only last five years from 2060/061 to 2064/065.
- The reality of the study fully depends on secondary sources of data and the questionnaires filled by respondents.
- This study has been conducted with in short time period and financial limitations.
- Simple statistical, mathematical, accounting and financial tools; as requirement have been used to analyze the data obtained.
-

1.6 Scheme of the Study

The study contains the following chapters:

- Introduction
- RDB and Rural Development Banking System
- Review of Literatures
- Research Methodology
- Data Presentation and Analysis
- Summary, Finding and Recommendations
- Bibliography
- Questionnaire
- Appendices

CHAPTER - II

REVIEW OF LITERATURE

There were no any such financial organizations, which lend the loan without securities before the concept of RDB. All the institutions have provision of providing credit facility to its clients with some collateral. A poor person who has no any collateral cannot get the loan from any financial institution. To start a new business, people need funds. Without having sufficient fund, no one can start the new business. As a result, the poor people who do not have collateral are always goes down. They may not able to uplift their economic status and earnings.

In this chapter, I have tried to review the ideas of various writers and thesis writers on this topic. This chapter has been classified under following two sub-topics.

2.1) Conceptual Review

2.2) Review of Development Economic Plans

2.3) Dissertations Review

2.1 Conceptual Review

Professor Muhammad Yunus propounded a concept through which the person, who has collateral, can also undertake the loan. His first program is known as RBFS (Rural Bank Financial System). The main objectives of RBFS are to provide the credit facilities to its clients without any collateral.

Professor Yunus says, " In the beginning, poor people in the villages think Grameen as a jock. They think somebody is tricking them into something. They think; why should any body give us money? We do not have anything to

offer them in return. When moneylender give money to you; they in exchange take your land, they take so many other assets.⁶

"Dr Muhammad Yunus(1995) has expressed that the concept of RDB in Bangladesh is not the outcome of a single days efforts, it is the outcome of a tremendous performance over a long time by him and his associates. Moreover, he has also stated that all members of GB should be dedicated and honest in dealing with deprived poor people. Every staff should have the power of endurance and patience and willing to work under hardship and pressure in the remote area.⁷

"There are many ways for people to die, but some how dying of starvation is the most unacceptable of all. It happens in slow motion. Second by second, the distance between life and death becomes smaller and smaller.

At one point, life and death are in such close proximity one can hardly see the difference, and one literally doesn't know if the mother and child prostrate on ground are of this world or the next. Death happens so quietly, so memorably, you don't even hear it.

And all this happens become a person does not have a handful of food to eat at each meal. The tiny baby, who does not yet understand the mystery of the world, cries and cries, and finally falls asleep, without the milk it needs so badly.

The next day may be it won't even have the strength to cry. I used to get excited teaching my university students in Bangladesh how economic theories provided answers to economic problems of all types. The beauty and elegance of these theories carried me away. Yet all of a sudden in started

⁶ Yunus M., Grameen Bank: Experience and Reflection,(1991), p.9.

⁷ Yunus, M., Grameen Bank Financial System: The lesson of experience,(1995).

having an empty feeling. What good were all these elegant theories when people died of starvation on pavements and on doorsteps? My classroom now seemed to me like a cinema where you could relax because you know that the good guy in the film could ultimately win. In the classroom I knew, right from the beginning, that each economic problem would have an elegant ending. But when I came out of the classroom I was faced with the real world. Here, good guys were mercilessly beaten and trampled. I wanted to understand the reality around a poor person's existence and discover the real life economics that were played out every day in the neighboring village, and went to Jobra."⁸

Pro. M.Yunus decided to become a student all over again and Jobra would be his University.

One day, M. Yunus and his colleagues were walking in Jobra, they saw a woman working with bamboo for stool in her completely run-down house. She was squatting on the dirt floor of her veranda under the low, rotten, thatched roof of her house, totally absorbed in her work. They stopped here and saw that children were running around in the yard. Moreover the neighbours come there and watched them surprising that what they were doing.

M.Yunus interviewed the woman, Sufia Begum, who was in her early twenties, thin with her dark skin and black eyes.

M.Yunus asked her about the bamboo with which she was working and she replied that she bought it paying 5 Taka from the Paikars, the middleman. She added that she had to sell the bamboo stool to the same middleman at end taking the profit of 50 paisa. Moreover, she informed them that the

⁸ Yunus;M. The Guardian, (Oct 31-1998) Loudon, p-1
(<http://www.grameen-info.org/agrameen/article>).

moneylender charged 10% per week to 10% per day that was high interest rate for her. By this type of interest rate on borrowed loan, they became poorer and poorer.

While she was talking to them, she did not slip her. Yunus minutely observed her labour and consistency in her duty, which helped her to make money. If she was able to get credit anywhere else in cheaper rate, she could sell it in the open market and earn profit. (IBID-PP-1-2)

"Our clients do not need to show how large their saving are and how much wealthy they have, they need to prove poor they are, how little savings they have."⁹

"To my amazement and surprise the repayment of loans by people who borrow without collateral is much better than those whose borrowings are secured by enormous assets. Indeed, more than 98% of our loans are repaid because the poor know this is the only opportunity they have to break out of their poverty. And they don't have any cushion whatever to fall back on. If they fall foul of this one loan, how will they survive? On the other hand, people who are well-off don't care what the law will do to them because they know how to manipulate it. People at the bottom are afraid of everything. So they want to do a good job because they have to. They have no choice. In structuring our own loans, I made the payments so small that the borrowers would not miss the money, would not even notice it. This was a way to overcome the psychological barrier of parting with all that money. I decided to make it a daily payment. The monitoring would be easier, I would be able to tell right away who was paying and who was falling behind their payments."¹⁰

⁹ IBID, pp-3

¹⁰ IBID, pp-4

"If Grameen was to work, we had to trust our clients. From the very first day, we decided that in our system there would be no room for the police. We never use the Judiciary in seeking repayment of our loans. We assume that we know how to do our business. There is no legal instrument between the lender and the borrower. We feel our relationship with people, not with papers. We build-up the human link based on trust. Grameen succeeds or fails depending on how strong our personal relationship is with the borrowers. Our experience with bad debt is less than 1 percent. Even then, Grameen does not conclude that a defaulting borrower is a bad person. Rather, that their personal circumstances were so hard that they could not pay back their tiny loans.

On the basis of above stories and statements of Dr Yunus, it can be concluded that the philosophy of Grameen Bank is based up on TRUST and personal relationship. With the help of trust and relationship it is easy to realize the loan by uplifting the economic status of the poor are the real client of Rural Bank. Rural Development Bank is large and busy one organization. It has many staffs and millions of members but the basic structure of Rural Bank depends entirely on human relationships. The entire bank is based on trust. In the editorial of 'The Times London' it is expressed," Twenty years ago in Chittagong, out of horror at a famine that claimed 1.5 million lives, a young Bangladeshi economist set out to prove a simple thesis that had no place in thinking about development. It is that every single human being; even on barefoot and begging in the street, is a potential entrepreneur. The Grameen Bank –the word means 'village'-that Muhammad Yunus went on to found pioneered the concept of 'micro-credit'.It lent tiny sums of the poorest of the poor, people without land, education or even a shelter. More than 90% of the loans go to the women."¹¹

¹¹ Editor The Times, Banking on the poor- A Bangladeshi lesson for the world (Oct. 1998). London.

The focus group of this bank is poor people. All the transactions of this bank are depends on trust and faith. No security is needed to take the loan from this bank. So this bank is going to be a unique of the rural people.

"Poverty is multidimensional so poverty alleviation efforts require multifaceted interventions. Government efforts to curb poverty are often inadequate when poverty is severe among a large section of the population. An effective poverty alleviation strategy requires innovative measures. Outreach programs, experiment and donors funds are required for the design and implementation of a successful program."¹²

Poverty alleviation has now become a well-known phrase in Nepal. Since 1954 Nepal Government has at different times tried to run poverty alleviation programs. These activities have mostly been in the form of rural development programs.

2.2 Review of Development Economic Plans

Nepal does not have a long history of planned economic development. The first five years plan was started in 2013 BS. So far eight five years plans have been completed and we are currently on the ninth plan.

These plans had various objectives regarding development and poverty alleviation, such as:

- Increase in industrial and agricultural production.
- Creation of employment opportunities.
- Establish social services
- Fulfill the basic needs of the people.

¹² Khandker, S.R. and Kality, B. The Bangladesh Rural Advancement Committes Credit Program: Performance and Substainability, Washington D. C. The World Bank, (1996). p-4.

2.2.1 Review of Eighth Plan (2049-2054)

This plan has given special emphasis to the rural sector as it was committed to spend 70% of the development budget to the rural areas. The plan also had the aim of preparing the plan on a "bottom-up" approach rather than a "top-down" approach. The main aims of the plan were as follows:

- a) Sustainable Economic Development
- b) Abolishing Poverty
- c) Removing Regional Unbalance.

Only the eighth plans had the main objectives of poverty alleviation.

The following policies were to be adopted to alleviate poverty:¹³

- To develop a simple procedure for identification of undeveloped areas and poor families and use it uniformly across all sectoral programmes.
- To carry out self-targeted and targeted programmes for poor people.
- To increase the access of the poor to the means of production.
- To make arrangements for awarding contracts of technically simple construction works to groups of poor people.
- To make legal provisions for elimination of social evils and to create public awareness in this regard.
- To make effective legal provisions against exploitation of the poor and helpless.
- To initiate dialogue for negotiations with foreign governments/agencies for the employment of unskilled and skilled Nepalese manpower seeking employment in foreign countries.

13 29. IBID, p- 199

- To arrange for creating employment opportunities in non-agricultural sector through food security programmes.
- To take environmental balance into consideration while designing a programme.
- To make institutional arrangements for extending necessary support to the task of poverty alleviation.

2.2.2 Review of Ninth Plan (1997-2002)

The ninth plan of the Government of Nepal has expressed that the poverty is the main cause, which is to be alleviated to develop the socio-economic status of the people in the country. The living standard of the people of Nepal is very low. The government of Nepal has been continuing different program, which may play the vital role in alleviating from Nepal.

The ninth plan has the following objectives with the different programmes.

- To gradually raise the living standard of the people below the poverty line by reducing the pressure of poverty.
- To launch special area and various targeted programs to up-lift the living standard of ultra- poor household , which is without any means of production as well as income.
- To socially and economically empower the backward deprived and weak communities.
- To reduce the concentration of existing poverty in backward and remote areas by developing physical, social and economic infrastructure.

Rural Development Bank i.e. GBB is the program launched in eighth plan by the government which is working to alleviate the poverty, from

the country by providing the micro-credit to the poor in the rural areas is becoming very popular in the country. The performance of the Bank according to the Ninth plan is , " In view of the important role, credit plays in poverty alleviation, this had been providing credit through very simple procedures to the rural poor for self-employment and increase income through establishment of five Rural Development Banks in five development regions and from 1400 center and 8000 groups in 300 V.D.Cs. in 26 districts. Thus it has provided 40000 group members with credit and supported them in self-employment and increasing their income."¹⁴

Following are the some programmes launched by the government to alleviate the poverty from the country.

- Remote Area Development Programme
- Integrated Rural Development Programme
- Small Farmer Development Project
- Production Credit for Rural Woman
- Intensive Banking Program
- Banking for the Poor.

Rural Bank is very familiar with poor people in the society. It is really working for the poverty alleviation by providing them credit facilities.

2.3 Review of Dissertation

There are so many dissertations written by various researchers in past years. Among them some dissertations are reviewed here for my analysis of literature.

¹⁴ IBID, p- 199

Mr. Tika Ram Khatiwada has (1999)¹⁵ conducted a research on the topic 'An assessment of overall performance of RDB of Nepal.' In his study, he has expressed that all the RDB , were suffering huge amount of losses the very beginning expect P-RDB. P-RDB has success to generate sufficient income to cover all separating costs. This is why other further RDBs should struggle hard for further few years to achieve viability. He has also found that the efficiency of the staffs seems to be very low.

The staffs are under utilized in this sector.

He further expressed that there has been significant increase in the income level and saving level of the borrowers. So there have been improvements in social status in terms of employment, leadership capability, decision- making ability, entrepreneurship telency and women empowerment of the rural.

Mr. Khatiwada has provide some suggestions, which are as bellows:

- The bank should plan to develop each of their existing branches as viable units rather than rapid expansion.
- Unnecessary expenses, such as expenses on workshops, seminars, foreign tours etc should be curtailed.
- RDBs have not formulated a master plan for their expansion towards financial viability for the organization themselves. Such a plan is needed to determine the staff training and financial requirements as well. It should be prepared as a matter of priority for scanning-up branches to financial viability and maximum out reach.

¹⁵ Khatiwada, T.R. (1999), An Assessment of Overall Performances of Grameen Bikash Banks of Nepal; an unpublished Master Degree Thesis submitted to Central Department of Management, T.U.

- The executive directors and other officials should be appointed on the basis of their qualification, capabilities, experience and fresh competition.
- The banks should increase loan size due to high demand. If the banks increase loan size and provides loan make rural poor people, they will be able to be self-employed and their life standard will improve.
- A system of regular impact evaluation of RDBs programmes should be initiated.

Yogmaya Khrel (1998)¹⁶ has conducted a research on the topic “Impact of Rural Development Bank on poverty alleviation among the women of Far Western Development Region”.

The main purpose of her study was to find out the impact of the RDB on the living standerd and income generation capability of women, to find out the impact on the status of women especially with regard to their role in decision making and to find out the extent to which poverty alleviation has been achieved.

From her research, she has found that the impact of RDB is positive. The life style of the members has been greatly improved. It helps to increase the women participation in decision making too.

She has suggested as below:

- SP-RDB must expand its activities to other parts. So that more people can take benefit from it.

¹⁶ Khrel Yogmaya, Impact of RDB on Poverty Alleviation Among the Women of the For Western Development Region, M.A. (Sociology), T.U. (1998).

- Literacy classes should be launched.
- The SP-RDB could be more effective if it also made arrangements for veterinary service and insurance of the animals.
- The SP-RDB should start its service in the area of Kamaiyas and other backward groups are living. Above area the main suggestions provided by Yogmaya Kharel to SP-RDB for its efficient operation.

Mr. Bhanu Bhakta Pandey (1998)¹⁷ has also conducted a research on the topic “Assessment of RDB of Semlar Branch in income generation for poverty ridden rural women, Rupendehi.”

His study has been focused to assess the role of Paschimanchal-RDB, Semlar Branch on income generation for poverty ridden rural women of Semlar, Rupendehi and to identify, the changes among the clientele women after the RDB’s intervention in Semlar Branch.

From his study, he has found that there is high demand for loan amount but there is not yet enough supply of loan amount. There has been significant increase in the level and saving habits of the borrowers. He also has also expressed that women are mobilized in productive and income generating activities. So there has been satisfactorily increased in employment, development and entrepreneurship.

Mr. Pandey has provided some suggestions for Pas-RDB which are given as below:

- RDB should increase lending capacity with low interest rate.

¹⁷ Pandey, Bhanu Bhakta, Assessment of RDB of Semlar Branch in Income Generation for Poverty Ridden Rural Women, Rupendehi, M.A. (Eco.) T.U.(1998).

- Weekly repayment system is very short. Therefore it is suggested that 15 days installment system would be better for the rural women.
- The literacy classes have to arrange in this area.
- It is also necessary to involve to the backward and lower caste in RDB's program.
- Skill of women should be improved by providing them suitable training.

Mr. Ambikeshwor Prasad Joshi (1995)¹⁸ has also conducted a research work about the 'Role of RDB in alleviation of rural poverty' (A case study of Fulwari V.D.C. Kailali).

His research work has been focused to find out the impact of purpose wise loan distribution of SP-RDB on:

- Role of RDB in poverty alleviation
- Development of entrepreneurship talent in poverty ridden people
- Income generating alternative at Fulwari V.D.C.
- Local level saving mobilization by RDB.

From his research process, he has found that there is high demand for loan amount in the rural area but there is no yet enough supply of the loan amount. Here is satisfactorily increment in income level, saving habit and entrepreneurship. Borrowed amount has significantly diverted the rural women from traditional sector to non-traditional sector. There is full utilization of saving amount in the previous business.

Mr. Joshi has suggested to RDB as bellows:

¹⁸ Joshi, Ambikeshwor Prasad, Role of RDB in Alleviation of Rural Poverty (A case study of Fulwari V.D.C. Kailali, M.A. (Eco.) T.U. (1995)

- Amount of loan provided by RDB should have increased.
- Every borrower has started new business of traditional type, which is caused by the lack of modern type business skill. So the government must take strength actions to build infrastructure such as transportation, markets and etc. Also the government should arrange to provide training for cottage industries, modern type of business etc to the rural poor people.
- Those borrowers who have started animal husbandry suffered loss due to lack of proper treatment of diseases of their animals. Their animal dies untimely. Therefore, the bank or government should arrange the facilities of veterinary to the borrowers who have started animal husbandry.

2.4 RDB and Rural Development Banking System

2.4.1 Banking System

Banking has played a vital role in the economic life of every country. The banking services have been available of different stages of human progress, through different names. But the objectives of all these are the same .The performance of service relation to lending and dealing with money.

"The main functions of the bank are acceptance of money on deposit from the public and providing credit, according to collateral."¹⁹

In developing countries most of the people are not conscious about banking system because of illiteracy and poverty. Lack of education rich people cannot prefer to deposit their saving in the bank and they keep

¹⁹ Gupta, Suraj B., Monetary Economics Institution Theory and policy, p-37

their money idle rather than to invest in producing way. On the other hand, the poor people have not surplus for saving anymore and they have no collateral to take the loan from the bank. So the most of the poor people have taken loan from the landlords with high interest rate. They used to land money without security. The moneylenders charge the interests as the nature and the class of the borrowers. They charge high percent of interest to the small classes than to the big classes. So in real the acceleration of the banking development is not seen sufficient to help in economic development of the country. In the effect to solve above non-response problems by along side with common banks, the democratic government of Nepal replicated the 'Rural Development Bank' uphold the real development all over the country.

2.4.2 Introduction of Rural Development Bank:(An Outline)

The term 'Rural' refers to the village. So Rural bank is the bank of villagers. It is the bank of those people who are living in the villages. The focus of this bank is always for the poor people who are land less and near land less. RDB is involved in small loan on reasonable terms and interest to finance additional income generating activities.

This bank is mainly opened for improving the economic status of the villagers.

2.4.3 Evolution of Rural Development Bank: (The origin of Rural Banking System in world.)²⁰

"Although, Dr Muhammad Yunus, lives in Chittagun of Bangladesh, is the professor of Developing Economics, he started to work in elimination of the poverty with the diligent promises because he had

²⁰ Karki, Rewat Bahadur, N.R.Bank News, Annual publication on the occasion of 43th anniversary (14th Baisakha 2055), publisher- N.R.Bank Office of the Governor, Baluwatar, Kathmandu, p-58.

been worried of increasing the poverty in the villages around the university. Thus he started his task in 1976, to eliminate the poverty. During this period, he struggled against (toward) the traditional banking system and norms (providing the collateral loan) and started Rural Bank Project, which is the foundation of Rural Development Bank. It aims to provide loan without any collateral to the poorest of the poor from the community investment and to create the opportunity for the employment, to protect from the creditors exploitation, to progressing in economic and social status etc for the elimination of the poverty. Having the good achievement with in seven years, it has been undertaken by the Government and Central Bank (Bangladesh Bank) of Bangladesh. As a result, it was established in the ownership of 60% from the government and 40% from the private investors. Influencing by it; it has been spread in other countries. From early 1990, it has been implemented in Nepal including other many countries. 58 countries including Canada, U.S.A., of six continents have followed Bangladesh Bank System by now. Rural Development Bank has around 1100 branches in Bangladesh and it has 22 00 000 community members (92%female and 8% male). It has distributed its loan around 200 00 00 000 American Dollars in 37000 villages (50% villages in Bangladesh) to provide the service."

2.4.4 About Rural:²¹

"In 1976 when professor Muhammad Yunus and his colleagues started giving out tiny loans under a system, which later become known as the Rural Bank, we never imagined that some day we would be reaching hundreds of thousands, let alone two million, borrowers. But the

²¹ <http://www.grameen.info-org/agrameen/index.htm/>,The Times, p-1

capabilities and commitment of our staff and borrowers gave us the courage to expand boldly. We hardly noticed when we reached milestones like 100 000 borrowers,\$1 billion lent, 2 million borrowers and so forth. Everyone predicted that the quality of the services we provided would deteriorate when we reached large numbers;yet, in reality, in many ways it improved.

In the late 1980s, we started to think of ways in which we could build on the network that our borrowers represented, in order to accelerate their progress towards a poverty- free world and also improve Bangladesh's overall economic performance. So in the beginning, we got involved in leasing unutilized and underutilized fishing ponds and irrigation pumps such as deep tube wells. At about the same time, we also became involved in providing training and other support to people from other third world countries that wanted to adopt the Rural methodology.

After some initial successes in the fishers and irrigation projects, we became interested in expanding our work by getting involved on other business in various new sectors. By this time, carrying out all these initiatives under Rural Bank became unwieldy, and from 1989 we began to establish new organizations. The fisheries project became the Grameen Fisheries Foundation. The irrigation project became the Grameen Krishi Foundation. The international replication and health program were put under the Grameen Trust. As we moved forward, we gained confidence and became more and more bold in our non-banking activities. We became involved in venture capital, the textile industry, an internet service provider and much more. Each new initiative was incorporated in an extending organization or spun off into a new one.

This became what we call the Rural Family of Organizations. Recently, we have hired some very qualified and committed people to become the CEOs of these organizations, and we have high hopes for their capacity to improve the lives of the rural poor in Bangladesh and abroad. We welcome people and organizations from all over the world to contact us and let us know how they would like to work in partnership. With our existing organizations and propose new ideas that may lead to new business ideas, which fulfill the social development objectives and organizations in the Rural Family."

2.4.5 Objective of Rural Development Bank²²

The Rural bank project came into operation for the following objectives:

-) To extent banking facilities to poor men and women.
-) To eliminate exploitation of the poor by money- lenders.
-) To create opportunities for self-employment for the country's vast unutilized and under-utilized manpower resources.
-) To bring the disadvantage people within the folds of some organizational format, which they can understand and operate, and from which they can find socio-political and economic strength through support.
-) To reserve the age-old vicious circle of "low saving, low investment, low income" into an expanding system of "low income, credit investment, more income, more credit, more investment, more income".

²² Gibbons David S., What is Gramen Bank, : The Grameen Readeer, (July 1995), p-11

2.4.6 Some important features of Rural Development Bank²³

The followings are the some important feature of RDB.

-) It is based on assumption that the people do not go to bank but bank has to go among the people.
-) Replicating the supply side approach, the bank has to provide banking service door to door through center.
-) Including the poorest of the poor in the group provides the loan without any collateral.
-) Special bank for poverty elimination.
-) It empathies in the development of economic as well as social too.
-) It prefer to the poorest for providing loan assuming that "Credit is the human right".
-) The focus point of this bank is poorest women in the respect of economic and social development.

2.4.7 Rural Philosophy²⁴

Rural Bank provides credit to the poorest of the poor people in very easy way generating of a small profit on the basis of following philosophy.

-) Credit is the fundamental right of a poor.
-) Every individual possesses surviving skill.
-) Comparatively female are more closed to various problems associated with poor.

²³ Karki, Rewat Bahadur, N.R.Bank News, Annul publication on the occasion of 43th anniversary(14th Baisakha 2055), publisher-N.R.Bank Office of the Governor, Baluwatar, Kathmandu,p-58,

²⁴ Paudyal r., Secret of GB,:Discussion paper for GB International Dialogue Program held in Mirpur 2, Dhaka on(3 to 15 sep 1994), p-7,

) Credit utilization provides prosperous innumerable new economic probabilities.

2.4.8 Introduction of Rural Development Bank

Nepal is a country of villages and poor farmers. In order to develop the infrastructure of the country, it is very necessary to step towards modernization, diversification and commercialization of production and distribution system in rural areas. People need some assistance through different programs to uplift their economic status. A small loan granting policy can play an important and very effective role to build up their productivity in agro-field for improving their economic status.

Nepal has been receiving foreign aid, grants and loans since 1951 to till date. The country has borrowed not only to maintain the administrative expenses of Nepal Government but also to achieve the objectives such as economic growth with stability, rural development, sustainable economic development, regional balance, employment along with income generation, poverty alleviation, providing credit facilities and etc. For these burning issues, government has executed various packages of programs in the name of safety nets for the poor such as food and feeding programs, priority sector programs, incentive banking programs, and income generating programs.

"Formal recognition of self help group for poverty alleviation in Nepal took place with the advent of Small Farmer Development Programme (SFDP) in 1975. Experiences of SFDP were adopted by other development agencies after 1980, all of them trying to reach rural populace in a partnership arrangement. Experiences were more or less similar everywhere i.e. people have potentiality to do many things to improve their lot; poor are bankable, sound saving/credit system can be

built around self help groups and so on. The beneficiary groups, however, showed a dependency syndrome which was a challenge for the implementing agencies. To resolve this issue, ADB /N did develop a package to enable self- help groups to gain a status of self reliance through development of Small Farmer Cooperative Limited (SFCL).

Since 1990, some issues emerged for contemplation. Courage in terms of VDCs and target families was still far from adequate and required a way to speed up to process of social mobilization . In light of country's emphasis on people centered development approach and increased resource / budget allocation in heads of the people.

The traditional self help groups or their federation remained to a large extent, outside the scope of bottom – up planning process that intended to link the people's organizations with local government. Thirdly, the efforts were scattered and did not produce a synergic effect within a district."²⁵

"Small Farmer Development Programme is a unique programme launched in Nepal to uplift the socio-economic status of small farmers. The responsibility of executing this programme is given by Nepal Government to agricultural development programme. Nepal Government has approved the SFDP programme as national programme and various department and other related agencies are involved in this programme. To formulate the policies of SFDP and to provide guidelines to execute it, a central coordination body has been formed under the chairmanship of secretary, ministry of agriculture. Various international agencies like international Fund for Agricultural Development, United Nations Children's Fund, United Nation's Fund for

²⁵ Agricultural credit,: Bi-annual Journal, vol 32,(july 2000), p-20

Population Activities, USAID and the British government are providing financial assistance to support the programme, and Nepal Government and ADB/N are grateful to these organization for their support"²⁶

All the programs have not met their targeted objectives rather these have raised the volume of poverty. On the other hand, SFDP of Agriculture Development Bank and IBP of Commercial Bank are moving emphases on collateral. The landless and poor people are neglected by the IBP and SFDP programs.

In the light of these facts, urgent need of a programs, which is targeted effectively towards the poorest of the poor is felt. Highly impressed with performance of Grameen Bank of Bangladesh and its operational management and organizational system, some sort of governments sponsored formal banking institution to introduce (RBFS) in Nepal was tried but failed to achieve the above mentioned objectives during 1980s. In 1991, with encouragement from professor Muhammad Yunus, founder of Grameen Bank and in cooperation with some friends, from the Nepalese banking system, an NGO namely, Nirdhan, was registered to replicate the RBFS. This was the first effort replicate the RBFS in Nepal. Nirdhan started its initial work in jan1993 in Rupendehi district.

"Replicating the Bangladesh Grameen Banking System, Purbanchal and SP-RDB have been established in 2049/50 on the ownership of Nepal Rastra Bank and commercial bank. Pas- RDB and M-P-RDB have been established in 2051/52 and 2053 respectively. Before

²⁶ ADB/N P-preface SFDP in Nepal.

establishment of RDB, Nirdhan was established as replicator of Grameen Bank."²⁷

"The concept of RDB was firstly practically developed by professor Mohammad Yunus at Chittagaung of Bangladesh. The bank was found as GBFS. This program was replicated in Nepal in the form of an NGO named, Nirdhan which started its nitial work in jan 1993 in Rupendehi district of western Nepal and first loan was distributed on 14 Mar 1993."²⁸

Realizing this fact, the SP-RDB was established in 17th Falgun 2049 under the development bank regulation. The bank was established in the basis of Nepal's experience in institutional rural credit and the Grammen Bank operating in Bangladesh.

The SP- RDB is located in the far western development region which is the least developed of the3 five development regions due to lack of basic physical infrastructure such as education, health, transportation, communication and electricity. The head office of SP-RDB is situated in Dhangadhi, Kailali.

Most of the people in this region depend on agriculture for their living but the development process of agriculture is still at the initial stages. Agriculture productivity is very low because of traditional farming practices, lack of productivity enhancing factors such as irrigation, modern technology and tolls, fertilizer, improved seeds and irrigation. There is increasing unemployment because of the low employment opportunities and non-farm activities.

²⁷ Karki, Rewat Bahadur, N.R.Bank News, Annul publication, Publisher-N.R.Bank Office of the Governor, Baluwatar,Kathmandu, p-59,

²⁸ Pant G.D, The GBFS Replication Project in Nepal, Nirdhan News Rupendehi, (1994), p-2.

SP-RDB provides loans without any collateral for improving their economic status. The SP-RDB's objectives, policies and working procedures are similar to the RDB of other development region.

SP-RDB has adopted Grameen Bank Financial System (GBFS) of Bangladesh, which has been very effective in Bangladesh.

2.4.8.1 Objectives of RDB²⁹

SP- RDB Dhangadhi has been established with the following objectives:

-) To provide banking facilities and services to the poorest of the poor in the society.
-) To create income employment generating opportunity through credit and alleviate poverty prevailing among the poor people.
-) To enhance awareness level of the poorest of the poor through training and literary classes.
-) To uplift the socio-economic status of the poor people through community based programmes.
-) To develop institutional mechanism from the grass roots level to link savings with credit and initiate self reliant economic activities for strengthening rural economy.
-) To conduct action research on mobilizing resources to support the poor.

²⁹ SP-RDB, policy and procedures study, (2051), p-23.

2.4.8.2 The Scenario of SP-RDB³⁰

2.4.8.2.1 Establishment: 2049 Falgun 17

2.4.8.2.2 Location of Central Office

Naina Devi Road, Dhangadhi

Far western Development Region

District- Kailali, Zone- Seti.

2.4.8.2.3 Work Area:

Nine districts of far- western development region are the work areas of this bank. They are as follows:

Kailali Doti Bajhang Achham Bajura Kanchanpur
Dadeldhura Baitadi Darchula

2.4.8.2.4 Capital Structure:

Authorized capital	12 00 00 000
Issued capital	6 00 00 000
Paid up capital	5 85 00 000

2.4.8.2.5 Share Holder and Number of Shares:

Name of Share Holders	No. of Shares	Amount of Shares
Nepal Government	49500	4950000
Nepal Rastria Bank	400500	40050000
Nepal Bank LTD	30000	3000000
Rastria Banijya Bank	30000	3000000
Nepal Investment Bank LTD	30000	3000000
Standard Chartered Bank	30000	3000000
Nepal LTD		
Nabil Bank LTD	15000	1500000

³⁰ IBID

**2.4.8.2.6 Commencement of Loan Distribution:
2050 Asad 14**

2.4.8.2.7 Loan Distribution by Bank

Following two types of loans are distributed by the banks. They are as bellow:

- A) General Loan
- B) Miscellaneous Loan:
 -) Drinking Water and Irrigation Loan
 -) Latrine Building Loan
 -) Joint Project Loan

2.4.8.2.8 Loan Amount:

A) General Loan:

<u>Installment</u>	<u>Amount in Rs</u>
First Installment	up to 15000
Second Installment	" 20000
Third Installment	" 25000
Fourth Installment	" 30000
Fifth Installment	" 40000

B) Miscellaneous Loan:

Drinking Water and Irrigation	Rs up to 5000
Latrine Building	" " 10000
Joint Project (up to 5 members)	" " 50000

2.4.8.2.9 Interest Rate:

Interest rate of the each loan type differs to each other.

Saving Deposit	4%
----------------	----

General Loan	20%
Collateral Basis	15%

Miscellaneous Loan:

- Drinking Water and Irrigation 15%
- Latrine Making Loan 15%
- Joint Project Loan 20%

2.4.8.2.10 Time Duration of Loan

- A) General Loan 1 year
- B) Miscellaneous Loan 2 years
-) Drinking Water and Irrigation Loan 2 years
-) Latrine Making Loan 1 year
-) Joint Project Loan 2 years
-) Collateral Basis 2 years

2.4.8.2.11 Types of Saving:

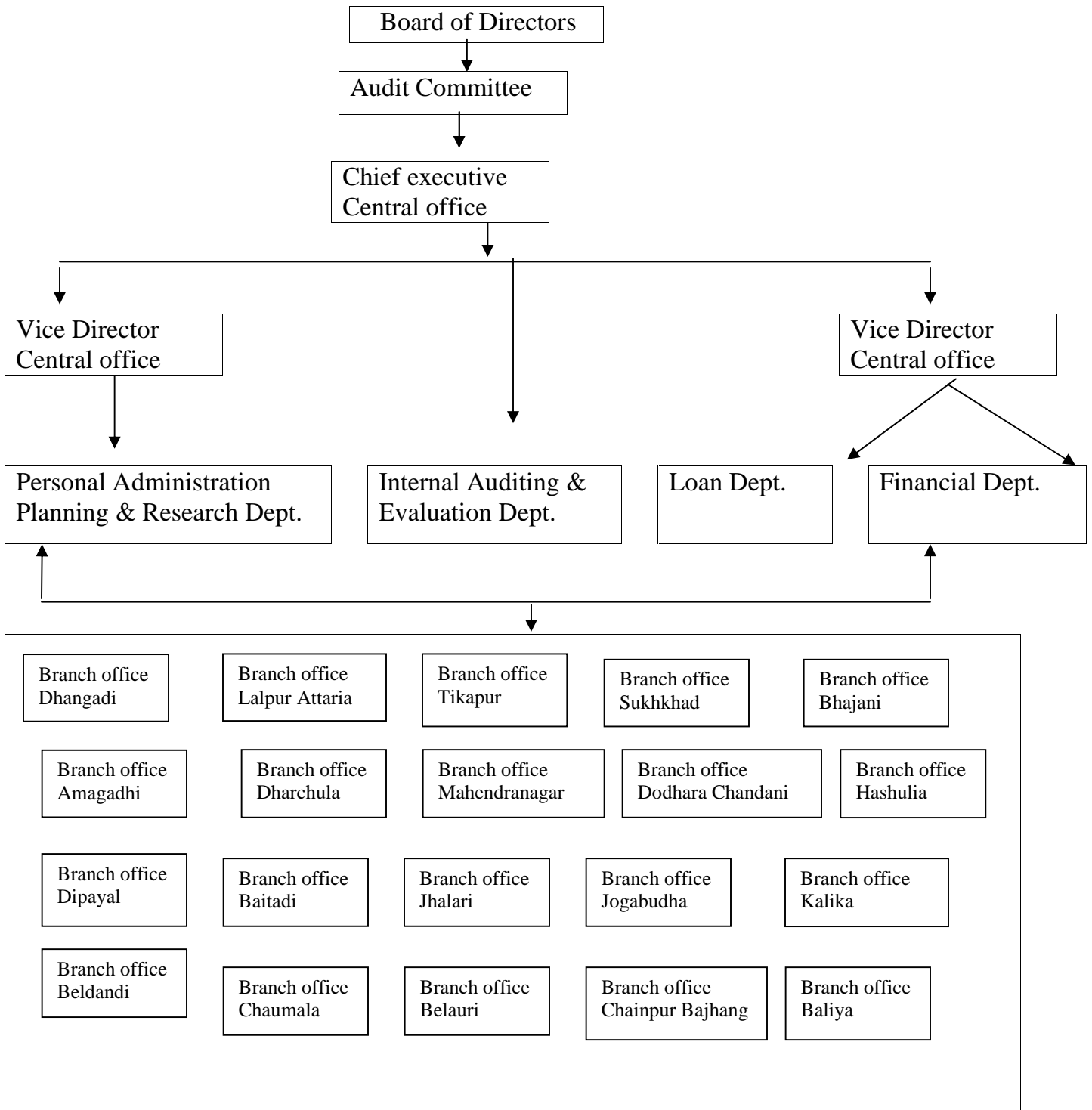
A) Compulsory Saving:

- Group Fund
- Weekly Saving

B) Optional Saving:

- Personal Saving
- Fixed Saving

2.4.8.2.12 Organizational Structure of SP-RDB³¹



³¹ Source: Annual Report of SP-RDB 2064/065

2.4.8.2.13 Statement of Branches of SP-RDB

Statement of Branches of SP-RDB

S.N.	Branch Office	Date of 1 st Loan Distribution	District Office Located	VDC/Municipality Office Located
1	Fulbari	050/03/14	Kailali	Fulbari VDC
2	Dhangadi	050/03/15	Kailali	Dhangadi Municipality
3	Baliya	050/05/07	Kailali	Baliya
4	Mahendranagar	050/05/07	Kanchanpur	Mahendranagar Municipality
5	Masuriya	050/05/08	Kailali	Masuraya VDC
6	Muda	050/05/11	Kailali	Dododharara VDC
7	Attriya	050/05/13	Kailali	Malakheti VDC
8	Chandani	050/05/13	Kanchanpur	Chandani VDC
9	Chaumala	050/08/21	Kailali	Chaumala VDC
10	Beldani	050/11/04	Kanchanpur	Beldani VDC
11	Tikapur	050/12/11	Kailali	Tikapur Municipality
12	Kapalleki	050/12/17	Doti	Kapalleki VDC
13	Joshiapur	050/12/19	Kailali	Joshiapur VDC
14	Kalika	051/01/25	Kanchanpur	Kalika VDC
15	Jogabuda	051/02/25	Dadeldhura	Jogabuda VDC
16	Hasuliya	052/11/04	Kailali	Hasuliya VDC
17	Belauri	052/12/19	Kanchanpur	Shreepur VDC
18	Bhajani	055/02/26	Kailali	Bhajani VDC
19	Sanfebagar	056/04/07	Achham	Siddheshwor VDC
20	Amargadhi	056/04/09	Dadeldhura	Amargadhi Municipality
21	Baitadi	062/08/19	Shahilek	Dashrath chand Municipality
22	Darchula Khalanga	062/06/13	Darchula	Khalanga VDC

Source: Annual report of SP- RDB 2064/065

2.4.9 TERMINOLOGIES USED IN SP-RDB³²

Following are the some terminologies used in SP-RDB.

2.4.9.1 Credit Policy

Following are the credit policy of SP-RDB

-) Provides services to poor people having less than 1 bigha of land in tarai and 10 ropani in hill areas.
-) Organize the member into groups and provide credit on group liabilities without any collateral securities.
-) Develop financial system through participatory approach for poverty alleviation and provide facilities for infrastructure development for the development of financial system.
-) Disburse credit with primary focus on using traditional skill and physical assets and assist to increase income within a short period of time.
-) Initiate banking activities preferably into the deprived areas based in the norms and values of bank.
-) Involve women with first priority to the participation in banking program.
-) Develop coordinate with line agency to transfer technology in rural areas.
-) Bottom up planning under perfect decentralization framework in the primary focus on the planning process. Beneficiaries participate of

32 SP-RDB ,policy and procedures study, (2051), pp 23-25.

local level planning implementation, supervision and monitoring of the program implemented/ to be implemented.

-) In each time of loan taken, the debtor should deposit 5% of total loan into group fund.

2.4.9.2 Group.

An organizational structure having 5 women or 5 men is known as a group. In this group only one person is included from a family.

Principle of Group Formation

Following are the principles of group formation.

-) Because of group being the pilot to operating RDB's program, the person who wants to be member for the group should participate in compulsory group training and should pass the oral test too.
-) For a good group formation, following features should be consisted.
 - Members should be neighborhoods.
 - Equal economic and socio status.
 - Equal age and educational level; if possible.
 - Interested to take compulsory group training.
-) If a group having above mentioned feature (having 5 members), it assumed that the primary group is formed. And the FA will observe their activities and if satisfy, then he will inform to the head of the bank about group formation.

2.4.9.3 Center

It is the heart of RDB. All the activities are performed through center. It is the organizational body of SP-RDB that includes minimum two and maximum forty members are included in it.

Important of Center

The main objective of establishing the center is to collect the strengths and weaknesses of the members in a place. Members have to meet peer support and peer pressure in order to get the benefit of community feelings avoiding the selfishness.

Place of Establishing Center

Place for establishing center should be selected by the agreement of all members and it should be middle for all the members. Following points should be considered, while selecting the place for center.

- Peaceful area
- Far from noise of children
- It should not be public service area; such as school, health-post etc.
- It should be open area so that it can attract the mind of other people.

Center Meeting

Center meeting is also known as the weekly meeting. All the center members are gathered in a specified place, time and day of the each week. The weekly center meeting is held from the next week after group recognition. Every branch has a center meeting schedule. Every FA usually attends the center meeting as scheduled. Every member assembles in the center before the FA arrives. In this center meeting,

all the bank's activities are performed. Mainly, loan distribution and loan reimbursement activities are performed by the F.A. Except these, current issues of interest and various problems are also solved.

The center meeting starts when FA arrives. The group chair-person collect the pass books and installments from all of her group members and give these to the center chief, who submits them to the FA.

2.4.9.4 Credit Without Collateral Securities

Group is considered to be backbone of the. All types of loan are being disbursed from unit office on the basis of group liabilities.

2.4.9.5 Regular and Group Saving

Borrowers are obliged to deposit 5% of the credit amount in group fund saving. Beside this, they could utilize this group fund for their emergency needs whenever they encounter problems. In addition, each member must deposit Rs. 1 every week as their individual saving.

2.4.9.6 Loan Proposal

Loan proposals are made at the center on the prescribed loan proposal form. If the group chairperson and center chief agree with the proposal then the FA sends it to the Branch Manager for final approval. In the prescribed loan proposal form there is no column for the FA and Branch Manager to reduce the amount of loan.

2.4.9.7 Loan Approval

Loan proposals should approve by the head office but in practice the branch manager approved all loan proposals.

2.4.9.8 Loan Disbursement

According to RDB procedure, loan disbursement is made at the center meetings. They have two types of loan; General and Miscellaneous. After completion of weekly collection the FA hands over the loan amount to the center chief disburses, the loan to the member. The Branch Manager's presence is not necessary. The Branch Manager explained that if they disbursed the loans at the branch office, the members involved would also one day's labor and would have to pay so many rupees for transport.

We feel that if the loan disbursement is conducted at the center, the following problems may arise. The FA can abscond with the money or be robbed on the way to meeting. The Branch Manager does not meet the borrowers and his importance in the eyes of the members may decline, loan disbursement cannot spread evenly through the week.

2.4.9.9 Main Features of Programs

Loan without security rather than group collateral

-) Focus group is that who have the land of 10 ropani and 1 bigha in hilly area and Tarai respectively.
-) Repayment of weekly installment.
-) Door to door banking facility.
-) Compulsory saving provision.
-) Women are focus points.

2.4.9.10 Commitment

RDB's program usually starts with expression of slogans developed separately for client and staff. Personnel and members have to do commitment expressing these slogans in the beginning of the each and

every meeting. These slogans highlight on changing working style, attitude saving habits as below:

The Commitment to be Taken by the Staff

"We have been provided the responsibilities to decrease the poverty by increasing the earning of the poor through the rural loan (Grameen Karja). Thus, we provide the loan to those poor people who are ready to work for operating the project. We will not have any bias in the respect of the caste, class, religion and political ideology. We will not take any fees or objects from our community member in the respect of performing our duties. The God is witness what we say, we do that."

The Commitment to be Taken by the Community Member

"We promise in front of central members along with the God, we will increase our earning for the welfare of our family. We will not have any negative thoughts towards community members, center members and RDB.

We will properly utilize our loan to come up from the muddy-land of poverty. By earning through loan, we will pay weekly installment, save the money and send our children to school. What we say we do that."

2.4.10 Introduction to Study Area

The study area is Shreepur VDC of Kanchanpur district lies in Mahakali zone, Far Western Development Region of Nepal. The topography is flat Terai land.

The east, west, north and south of the study area is Kalika VDC, Rampur-Bilashpur VDC and Shankerpur VDC respectively.

According to the census of 1991," The total population of the study area is 14280, out of which 7243 males and 7037 females. The total number of household is 1811."³³

Average household size is 7.61 person per house, which has been calculated as follows:

Here, \bar{X} = Average household size.

X = Total numbers of persons in the study area.

N = Total number of household.

We have the formula: $\bar{X} = \frac{X}{N}$

Then, Substitute the values:

We get, $\bar{X} = 14280/1877 = 7.61$

Most of the people have migrated from outer districts of Nepal. The original inhabitants of the study area is Rana Tharus whose main calling is agriculture. Usually, Rana Tharus live in joint family and have comparatively larger land holdings.

2.4.10.1 Climate

The summers are very hot and the winters moderately cold. From March onward, the temperature begins to increase, and reaches its peak by June.

³³ Nepal District Profile, (1991), fourth edition.

Hot and dry wind called 'LOO' blows during March to June. During the winter season, there is 'dew' which is very bad to the agro-products as well as human health too.

2.4.10.2 Agro- Products

The main crop of this study area are rice , wheat and oil seeds. Except these, there are so many other crops like paddy, maize, barley, potato, tobacco, sugarcane and etc.

2.4.10.3 Rainfall

The rainfall of this area depends on the eastern monsoon. The rainfall is lower comparing to eastern part of our country. The higher rainfall has been recorded during July to August in the study area. Due to western-wind, there is some rainfall in the winter too.

2.4.10.4 Languages

Most of the people of this VDC speak their native language. About 40% of people of this VDC speak Tharu language; about 30% Doteli language and rest about 30% speak other languages including Nepali.

2.4.10.5 Occupation

The major calling of the study area is agriculture, which covers 33.33% of total occupation. The second and third calling of this area are retail shopping and cattle farming, covering 30% and 18.33% respectively .Except these villagers of Shreepur VDC have also adopted catering, tailoring and manual works.

CHAPTER - III

RESEARCH METHODOLOGY

This study has been conducted to analyze whether the SP-RDB has played the significant role to improve the Income generation of the shreepur villagers or not. This research is a unique one due to its descriptive nature.

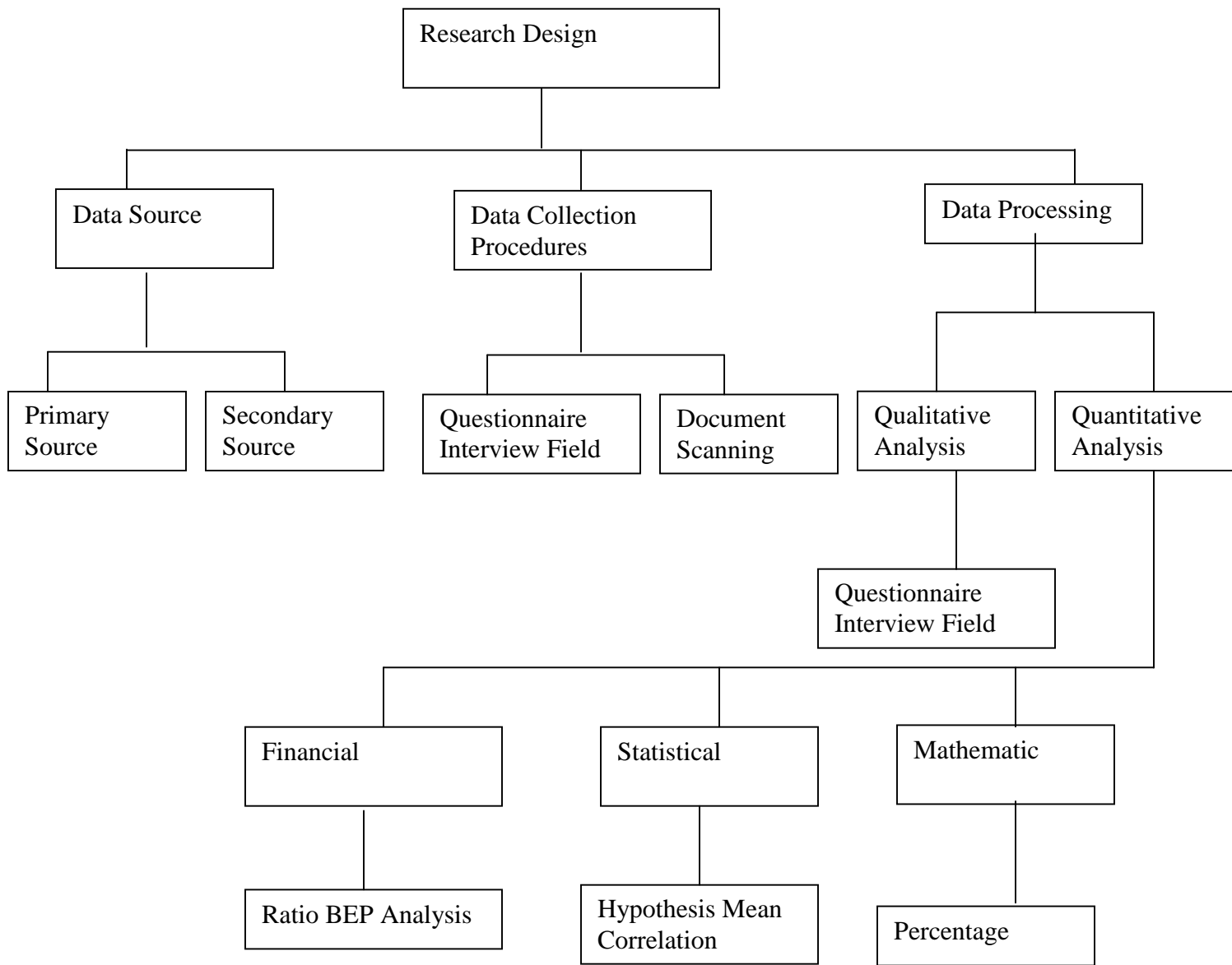
The key of the well analysis of the study depends on the research design. The process of selecting the proper tools, techniques and methods for the research analysis is known as research methodology. It is very important to choose the appropriate research methodology that helps to make the analysis meaningful.

So appropriate methodology has been followed to fulfill the proposed objectives of the study. The methodology covers following sub-topics.

- i. Research Design
- ii. Sources of Data
- iii. Population and Sample
- iv. Methods of Data Collection
- v. Data Processing Procedures, Tools and Techniques of Analysis.

3.1 Research Design

The focus point of this study is to measure the role of SP-RDB to improve the income generation and socio economic status of the villagers. For this purpose, qualitative and quantitative both analysis have been done. Research design also can be shown as below:



3.2 Sources of Data

This study is mainly based on the primary as well as secondary sources of data too. Followings are the primary and secondary sources of data:

3.2.1 Primary Sources of Data

- Questionnaires Filled by the Respondents.
- Interview of SP-RDB's Staff.
- Field Visit by the Researcher.

3.2.2 Secondary Sources of Data

- Annual report of SP-RDB, which consists P/L A/C, Balance Sheet, Operating expenditure reports and other, required statements.
- Bulletins, Magazines, Policy and procedure books, Training guide books and other unpublished records of the SP-RDB.
- National and International Journals.
- Books and post dissertations from central library of T.U., library of Meer bhawan Campus etc.
- World development report, National planning commission, Economic Survey and other various research organizations.

3.3 Population and Sample

This study has been done specially based on the Shreepur V.D.C of Kanchanpur district, Mahakali that is the part of Belauri branch of SP-RDB.

So population refers to all the members of SP-RDB in Shreepur V.D.C. Among them a sample of 60 members has been randomly drawn as the representative of the population. This size of sample is sufficient to be

representative of the population. No bias has been done in the process of respondent selection process for the sample size.

3.4 Method of Data Collection

For the study purpose, data have been collected as below:

3.4.1 Method of Primary Data Collection:

Primary data have been collected by filling up the structured questionnaires by respondents, which have been previously prepared and tested, field survey in Shreepur V.D.C. and direct interview with SP-RDB, members and its staff.

3.4.2 Method of Secondary Data Collection

Secondary data have been collected from various sources like annual reports of SP-RDB, magazines, national and international journal official records of SP-RDB, Nepal Rastra Bank's publications, World Bank Reports, Economic surveys, policies and Procedures of SP-RDB, Training guide of SP-RDB, Various published and unpublished periodicals, internet, publications of national planning commission like Development plans, and various post and present dissertations.

Verification and clarification of data have been done through discussions with concerned research authority whatever and whenever necessary.

3.5 Data Analysis

The analysis of data has been done according to the pattern of data available. Wide varieties of methodology have been applied according to the reliability and consistency of data. Before using analytical tools to compare

the results, the data containing in the financial statements have been grouped and re-arranged so as the make easy comparison. Then only the various financial and statistical tolls have been applied to interpret the results and draw up sound conclusion. Quantitative analysis has also been done to analyze variables.

Mainly the analysis has been performed using the under mentioned tools and techniques.

3.5.1 Qualitative Analysis

Personal interview and opinions of respondents and staffs of SP-RDB, field visit and questionnaires filled up and processes have been conducted to make the study more qualitative. The collected information's and expressions have been screened and relevant information has been grouped for the purpose of analysis.

3.5.2 Quantitative Analysis

Only the qualitative analysis will not sufficient to make the study more meaningful. So quantitative analysis has been also done for this purpose. Following financial, mathematical and statistical tools are used to quantitative analysis of the study.

Financial tools: Ratios, BEP, CVP analysis, cash flow etc

Mathematical tools: Percentage

Statistical tools: Test of hypothesis (χ^2 test), mean, bar-diagram etc.

CHAPTE - IV

DATA PRESENTATION AND ANALYSIS

This research has been conducted on the basis of primary as well as secondary data too. All the primary data are collected with the help of questionnaire and field survey in the study area.

The field survey has been conducted in Shreepur VDC, Kanchanpur district of Mahakali Zone from 15th Apr. to 2nd May 2009 i.e. (2nd Baishakha to 19th Biashakha of 2066 B.S.). The questionnaires have been filled in the center meeting of Belauri Branch of SP-RDB. Respondents are selected randomly. An attempt has been done not to select the respondents from same group.

Following data have been obtained from the field survey and questionnaire filled by the respondents. This analysis is mainly based on primary data.

4.1 Land Ownership Pattern.

Land is main asset of the villagers. Every villagers want to purchase more land than they have but due to low earning, they could not do so. After establishment of RDB they have borrowed loan to increase the earning.

All the borrowers have not utilized their loan amount properly. They taken loan for one purpose and make investments in another purpose such as, to pay the previous loan of creditors, to meet domestic expenditure etc. Those borrowers who have property utilized the loan amount could increase their earning and then invest their earning in land purchase.

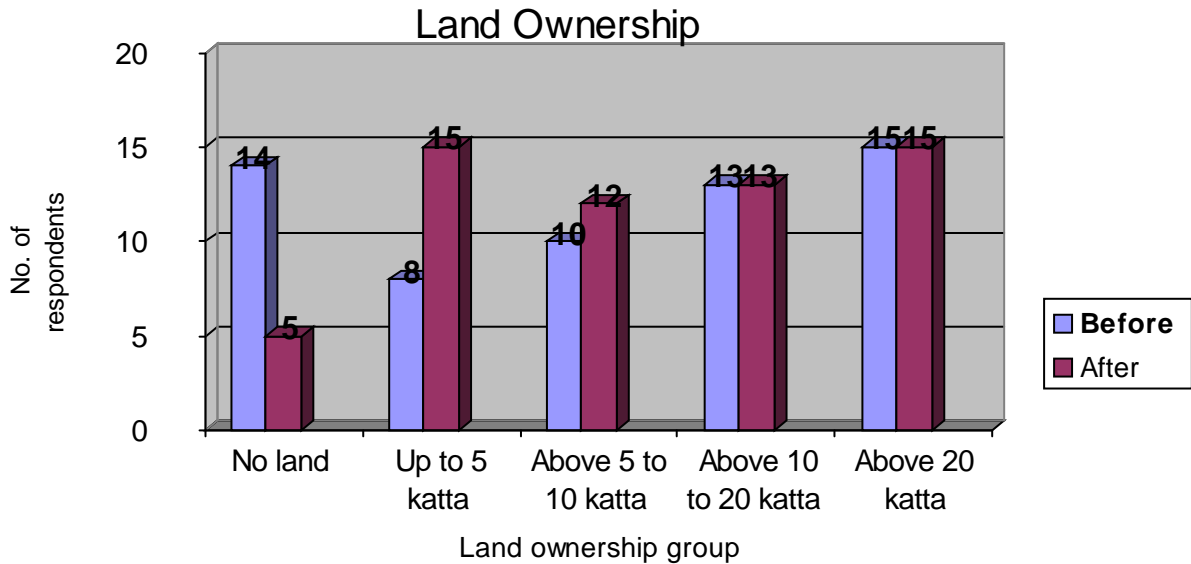
Land Ownership Pattern

Table 4.1

S.N.	Land Ownership Group	Before		After	
		No. of Respondents	%	No. of Respondents	%
1.	No land	14	23.33	5	8.33
2.	Up to 5 katta	8	13.33	15	25.00
3.	Above 5 to 10 katta	13	21.67	13	21.67
4.	Above 10 to 20 katta	13	21.67	13	21.67
5.	Above 20 katta	15	25.00	15	25.00
Total		60	100	60	100

Source : Field Survey by the Research.

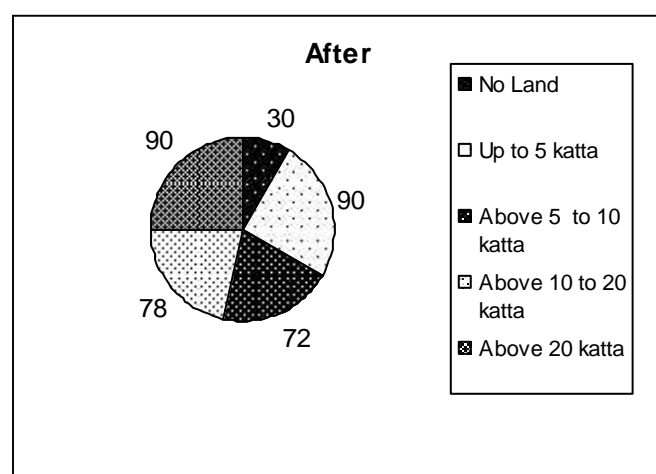
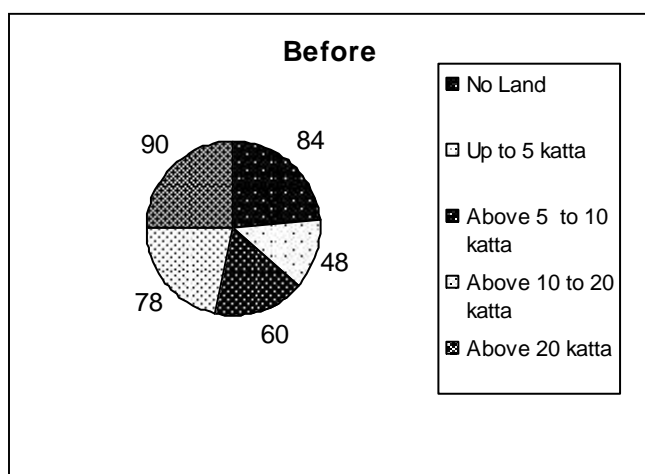
This data can also be presented with the help of following bar-diagram and pie-chart too.



Pie Chart:

Conversion in to Degree:

S.N.	Land ownership	Before	After
1.	No land	$14 \times 360 / 60 = 84$	$5 \times 360 / 60 = 30$
2.	Up to 5 katta	$8 \times 360 / 60 = 48$	$15 \times 360 / 60 = 90$
3.	Above 5 to 10 katta	$10 \times 360 / 60 = 60$	$12 \times 360 / 60 = 72$
4.	Above 10 to 20 katta	$13 \times 360 / 60 = 78$	$13 \times 360 / 60 = 78$
5.	Above 20 katta	$15 \times 260 / 60 = 90$	$15 \times 360 / 60 = 90$
Total		360	360



According to above table 1, bar diagram and pie chart, there were 14 respondents (i.e. 23.33% of sample size) who had no land, 8 respondents (i.e. 13.33% of sample size) had the land of up to 5 katta, 10 respondents (i.e. 16.67% of sample size) had the land above 5 to 10 katta, 13 respondents (i.e. 21.67% of sample size) had the land above 10 katta to 20 katta and 15 respondents (i.e. 25% of sample size) had the land above 20 katta or 1 bigha before establishment of SP-RDB.

After implementing the program of SP-RDB their land ownership structure has been changed.

There were 14 respondents who had no land before establishment of SP-RDB. But after its establishment, it is reduced to 5 respondents only. The respondents who had no land have become landowner after establishment of SP-RDB. Now only 5 respond are there who have no land. There were 8 respondents who had the land up to 5 katta before establishment of Sp-RDB. After the membership, the land ownership in this group has increased by 7 respondents (i.e. 11.67% of sample size). In other word, 7 respondents i.e. (11.67% of sample size) have become the land owner of up to 5 katta.

Similarly, the land ownership has increased by 2 respondents i.e 3.33 % in the group of above 5 to 10 katta lands and above 20 katta or 1 bigha land. From this table, it is found that the borrowed loan is highly utilized by the no land group to buy the more land.

4.2 Housing Condition :

Housing condition of the respondents shows their economic status. If the earning improves, the housing condition will also improve. Whether SP-RDB has played on significant role for improving the earning of the villagers or not, it could be measured with the help of housing condition of the members. Following table shows the housing condition of the study area :

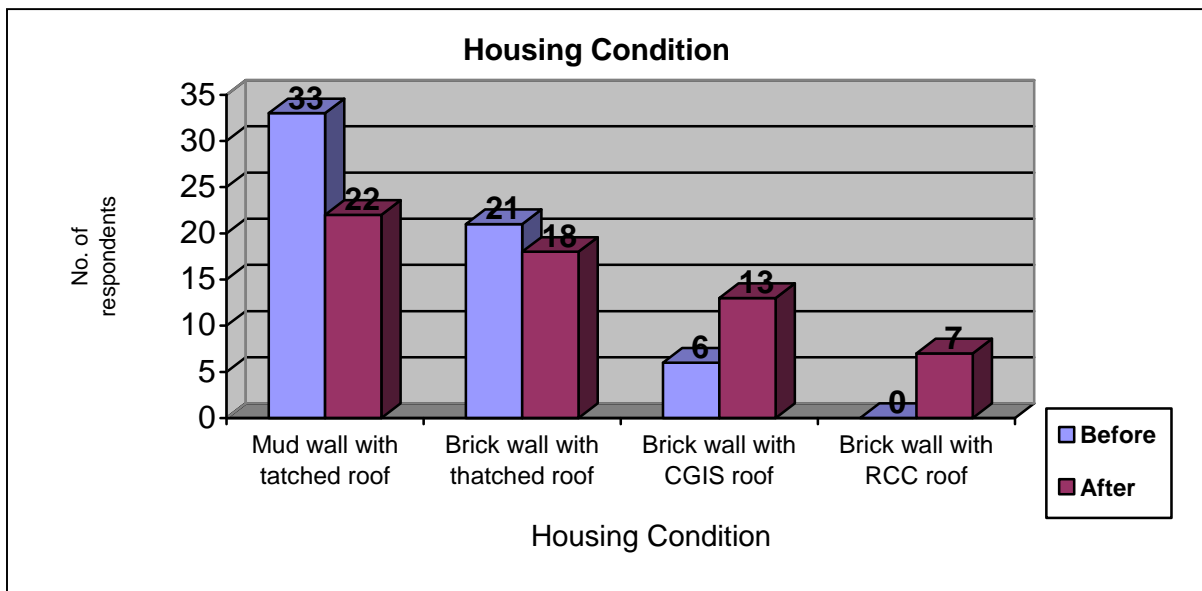
Housing Condition

Table No. 4.2

S.N.	Housing Condition	Before		After	
		No. of respondents	%	No. of respondents	%
1.	Mud wall with thatched roof	33	55	22	36.67
2.	Brick wall with thatched roof	21	35	18	30.00
3.	Brick wall with CGIS roof	6	10	13	21.67
4.	Brick wall with RCC roof	-	0	7	11.66
Total		60	100	60	100

Source: Field Survey by the Researcher

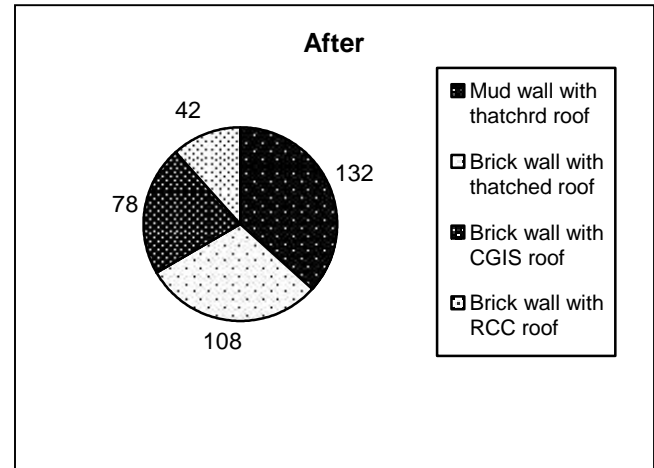
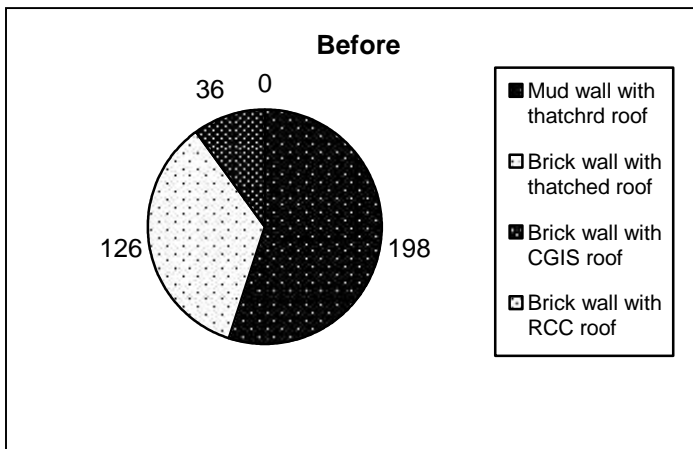
Above table can also be presented with the help of following bar-diagram and pie chart too.



Pie-Chart:

Conversion in to Degree:

S.N.	Housing condition	Before	After
1.	Mud wall with thatched roof	$33 \times 360 / 60 = 198$	$22 \times 360 / 60 = 132$
2.	Brick wall with thatched roof	$21 \times 360 / 60 = 126$	$18 \times 360 / 60 = 108$
3.	Brick wall with CGIS roof	$6 \times 360 / 60 = 36$	$13 \times 360 / 60 = 78$
4.	Brick wall with RCC roof	$0 \times 360 / 60 = 0$	$7 \times 360 / 60 = 42$
	Total	360	360



Above table-3, bar-diagram and pie-chart shows the housing condition of the villagers.

Before establishment of SP-RDB, 33 respondents (i.e. 55% of sample size) had the house of mud wall with thatched roof. After establishment of SP-RDB, there is an improvement in the housing condition of the members. Now only 22 respondents (i.e. 36.67% of sample size) have been living in the housing condition of mud wall with thatched roof. The SP-RDB has played an important role to improve the housing condition of the respondents. 18.33% of

respondents who had been living in the house of mud wall with thatched roof, have been living in the brick wall with thatched roof or more better than that.

Similarly, 21 respondents (i.e. 35% of sample size) who had been living in the house of brick wall with CGIS roof before establishment of SP- RDB number of respondents living in this type of house have been increased by 11.67 %. In other word, 7 more respondents have the brick wall with CGIS roof house.

Similarly, no one was there who had the brick wall with RCC roof before establishment of SP-RDB. But after establishment of SP-RDB, 7 respondents (i.e. 11.66% of sample size) have been living in such type of house too.

Hypothesis :

Ho : There is no significant role of SP-RDB for improving the housing conditions of the villagers.

H1 : There is significant role of SP-RDB for improving the housing condition of the villagers.

$$\text{Test Statistics (x2)} = \frac{\sum \frac{(O - E)^2}{E}}$$

Where, x2 = Chi-square (test statistics)

O = Observed frequencies

E = Expected frequencies

The observed frequencies are given by following tables.

Observed Frequencies Table

S.N.	Housing Condition of the Respondents	Before	After	(RT) Raw Total
1.	Mud wall with thatched roof	33	22	55
2.	Brick wall with thatched roof	21	18	39
3.	Brick wall with CGIS roof	6	13	19
4.	Brick wall with RCC roof	-	7	7
Column Total (CT)		60	60	120 (GT)

Expected Frequencies and Test Statistics are Composed as Below :

R.C.	O	E= (RT×CT)/(GT)	(O-E)	(O-E) ²	(O-E) ² /E
1.1	33	27.5 = (55×60)/120	5.5	30.25	1.1
1.2	22	27.5 = (55×60) /120	5.5	30.25	1.1
2.1	21	19.5 = (39×60)/120	1.5	2.25	0.115
2.2	18	19.5 = (39×60)/120	1.5	2.25	0.115
3.1	6	9.5 = (19×60)/120	3.5	12.25	1.289
3.2	13	9.5 = (19×60)/120	3.5	12.25	1.289
4.1	-	3.5 = (7×60)/120	3.5	12.25	3.5
4.2	7	3.5 = (7×60) / 120	3.5	12.25	3.5
					x ² = 12.008

Computed value of x² = 12.008

Degree of freedom (d.f.) = (r-1) (c-1) = (4-1) (2-1) = 3

Tabulated value of x² at 5% level of significance for 3 d.f. = 7.81

Interpretation

Since the computed value of x² i.e. 12.008 is greater than tabulated value of x² at 5% level of significance for 3 d.f. i.e. 7.81, alternative (H₁) is accepted. So it is concluded that there is significant role of SP-RDB for improving the housing of the villagers.

4.3 Treatment Capacity

The role of SP-RDB can be measured with the help of treatment capacity of the respondents. Every person wants to go for the better treatment

if possible. For better treatment, sufficient money is needed. It is only possible when one has sufficient earning.

An attempt has been made to measure whether the villagers visit doctors or not for their treatment. The following table 4.3 shows the villagers who have consumed the treatment capacity before and after establishment of SP-RDB.

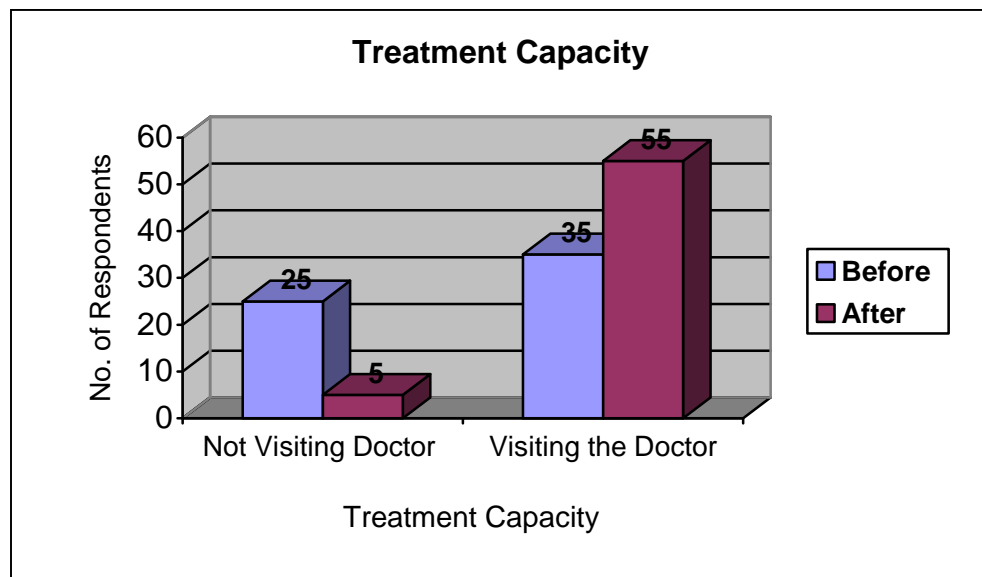
Treatment Capacity

Table 4.3

S.N.	Treatment Facility	Before		After	
		No. of Respondents	%	No. of Respondents	%
1.	Not visiting doctor	25	41.67	5	8.33
2.	Visiting doctor	35	58.33	55	91.67
Total		60	100	60	100

Source : Field Survey by the Researcher

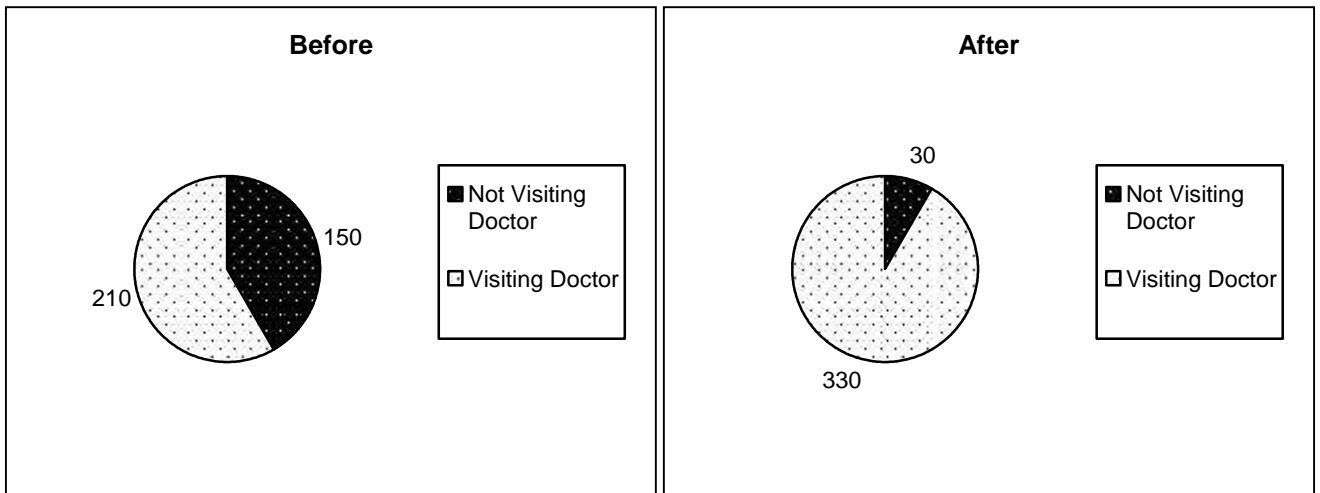
This table can also be presented with the following bar-diagram and pie-chart too.



Pie- Chart

Conversion in to Degree :

S.N.	Treatment Facility	Before	After
1 .	Not visiting doctor	$25 \times 360 / 60 = 150$	$5 \times 360 / 60 = 30$
2.	Visiting Doctor	$35 \times 360 / 60 = 210$	$55 \times 360 / 60 = 330$
	Total	360	360



The table 5.4 shows that there were 11.67 % respondents who did not visit the doctor for the treatment before establishment of SP-RDB, But now there are only 8.33 % of respondents who do not visit the doctor for their treatment. Now a days, most of people visit doctors. Number of people visiting doctor has been increased by 33.34% at present.

Hypothesis

To see the difference (change) in treatment facility before and after establishment of SP-RDB the following hypothesis has been set.

H₀ = There is no significant improvement in treatment capacity after establishment of SP-RDB.

H1= There is significant improvement in treatment capacity after establishment of SP-RDB.

$$\text{Test statistics } (X^2) = \frac{(O - E)^2}{E}$$

Where, x^2 = chi-square (test statistic)

E = Expected frequencies

O = Observed frequencies

The table given below shows the observed frequency table.

S.N.	Treatment Capacity	Before	After	Row Total (RT)
1.	Not visiting doctor	25	5	30
2.	Visiting doctor	35	55	90
Column Total (CT)		60	60	60 (GT) Grand Total

The Expected Frequency and Test Statistic i.e. X^2 are Computed below :

R.C.	O	$E = \frac{RT \times CT}{GT}$	O-E	$(O - E)^2$	$(O-E)^2/E$
1.1	25	$15 = \frac{30 \times 60}{120}$	10	100	6.67
1.2	5	$15 = \frac{30 \times 60}{120}$	(10)	100	6.67
2.1	35	$45 = \frac{90 \times 60}{120}$	(10)	100	2.22
2.2	55	$45 = \frac{90 \times 60}{120}$	10	100	2.22
					$X^2 = 17.78$

$$X^2 = 17.78$$

$$\text{Degree of freedom (d.f.)} = (r-1) (c-1) = (2-1) (1-1) = 1$$

Tabulated X^2 at 5% level of significance for 1 d.f. = 3.84

Interpretation

Since the computed value X^2 i.e. 17.78 is greater than tabulated value of X^2 at 5% level significance for 1 d.f. i.e. 3.84, accept (H1) alternative hypothesis. So it is found that there is significant improvement in treatment capacity after establishment of SP-RDB.

4.4 Educational Status

Education is also important variable, which shows the impact of SP-RDB. Although there were no any such programmers, which directly improve the educational pattern of the villagers, SP-RDB has played significant role to increase awareness about education. Before start the weekly meeting of the group, every member has to express their slogan. In the slogan, they daily promise to send their children to school.

Due to this slogan, they have awareness about education and they have admitted adults education classes.

Following table shows the educational status of the respondents before and after establishment of SP-RDB.

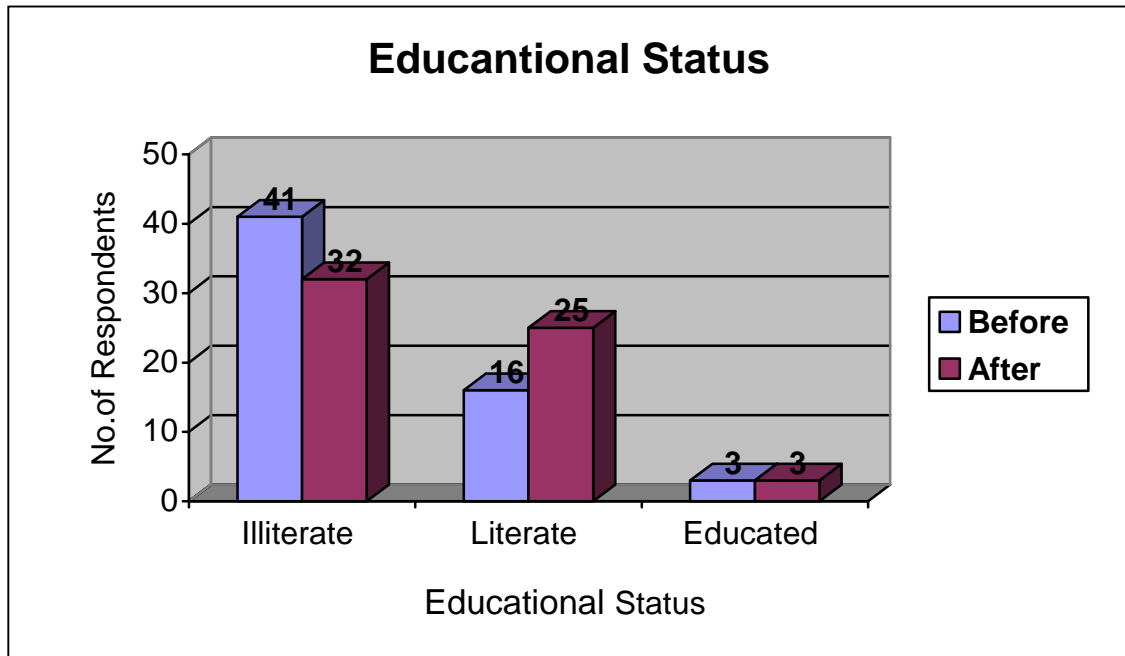
Educational Status

Table 4.4

S.N.	Educational Status	Before		After	
		No. of Respondents	%	No. of Respondents	%
1.	Illiterate	41	68.33	32	53.33
2.	Literate	16	21.67	25	41.67
3.	Educated (S.L.C. and higher education)	3	5.00	3	5.00
Total		60	100	60	100

Source : Field Survey by Researcher

Following bar-diagram and pie-chart shows the educational status of the study area before and after establishment of SP-RDB.



Pie Chart

Conversion in to Degree :

S.N.	Educational Status	Before	After
1.	Illiterate	$41 \times 360 / 60 = 246$	$32 \times 360 / 60 = 192$
2.	Literate	$16 \times 360 / 60 = 96$	$25 \times 360 / 60 = 150$
3.	Formal Education	$3 \times 360 / 60 = 18$	$3 \times 360 / 60 = 18$
Total		360	360

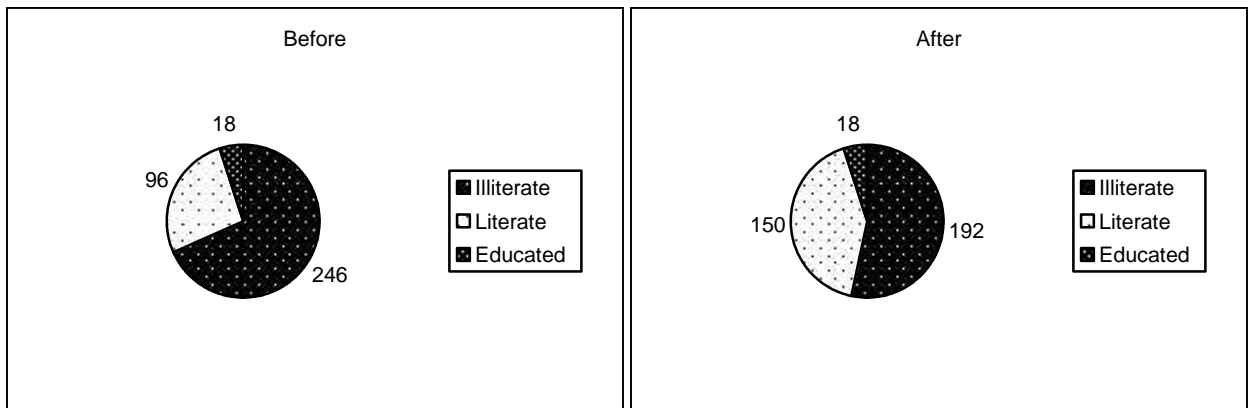


Table given above that there were 41 respondents who can not read and write their name. After establishment of SP-RDB, there were only 32 respondents under this educational status. Number of illiterate respondents was decrease by 15 percent. There were 16 literate respondents before establishment of SP-RDB. This figure is increase up to 25 respondents after establishment of SP-RDB. There was 20% increment in literate respondents after establishment of SP-RDB. Similarly, there were no any changes in the educated educational status after establishment of SP-RDB.

4.5 Toilet Position

Improvement in toilet position represents the improvement in earning. It is the most needed thing for human. It is also the sign of civics. So every person like to build a toilet for his family but it also depends on the earning of the person. If a person has more earning. he will build the better toilet. SP-RDB provides the loan for latrine making. Latrine making loan has been distributing under miscellaneous loan. Total amount of this loan is up to Rs. 2500 at the 15 % interest rate. Loan should repay by the member with in one year. Following table shows the toilet position of the villagers in Shreepur V.D.C. Kanchanpur.

Toilet Position

Table 4.5

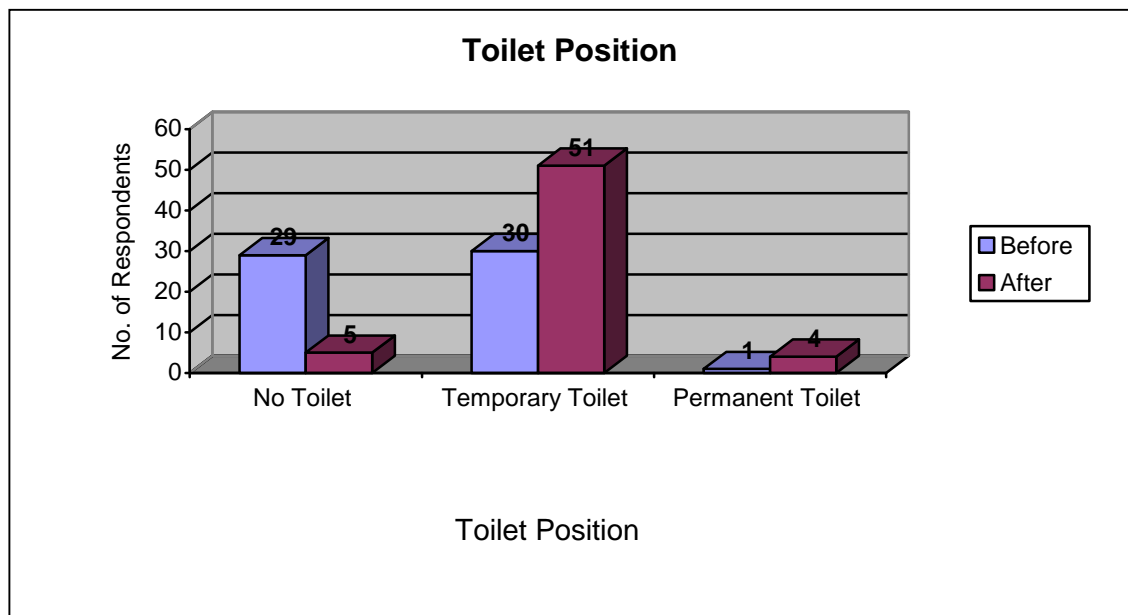
S.N.	Toilet Position	Before		After	
		No of Respondents	%	No. of Respondents	%
1.	No toilet	29	48.33	5	8.33
2.	Temporary Toilet	30	50.00	51	85.00
3.	Permanent toilet	1	1.67	4	6.67
Total		60	100	60	100

Source : Field Survey by the Researcher

From the above table 5.5 it is clear that there were 29 respondents who had no toilet before establishment of SP-RDB. They went to bush for toilet. But now days, most of them have made their own toilet. Only 5 respondents have no toilet. 91.67 % of the villagers have made their own toilet at present. Only 30 respondents (i.e. 50% of sample size) have temporary toilet before establishment has increased to 57 respondents (i.e. 85% of sample size.) Additional 21 respondents (i.e. 35% of sample size) have made their own temporary toilet at present.

There is also an increment in the permanent toilet position too. Only one permanent toilet was there among the all respondents before but at present it is increased by 5% Now 6.67% of the villagers have permanent toilet.

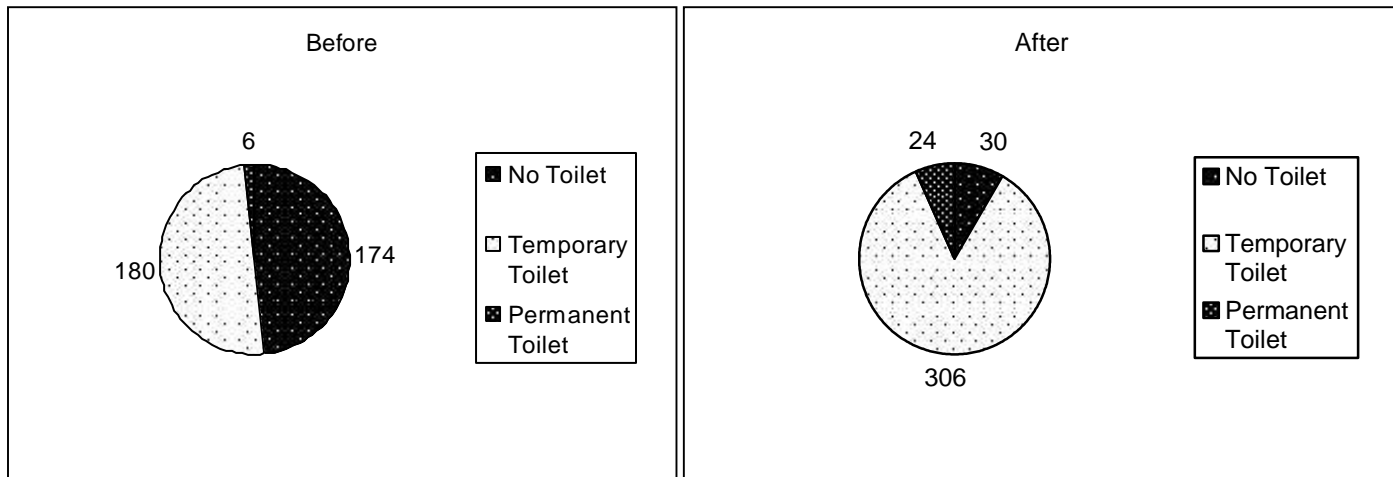
This table can be presented by bar-diagram and pie-chart as below.



Pie Chart

Conversion in to Degree :

S.N.	Toilet Position	Before	After
1.	No toilet	$29 \times 360 / 60 = 174$	$5 \times 360 / 60 = 30$
2.	Temporary Toilet	$30 \times 360 / 60 = 180$	$51 \times 360 / 60 = 306$
3.	Permanent Toilet	$1 \times 360 / 60 = 6$	$4 \times 360 / 60 = 24$
Toilet		360	360



Hypothesis

To measure the role of Sp-RDB on improvement of toilet position of the villagers, the following hypothesis has been set.

Setting of Hypothesis

H₀ : There is no significant role of SP-RDB for improving the toilet position of the villagers.

H₁ : There is significant role of SP-RDB for improving the toilet position of the villagers.

$$\text{Test statistics } (X^2) = \frac{\sum \frac{(O - E)^2}{E}}$$

Where, x^2 = chi-square (test statistics)

E = Expected frequencies

O = Observed frequencies

The table given below shows the observed frequencies :

S.N.	Toilet position	Before	After	Row Total (RT)
1.	No Toilet	29	5	34
2.	Temporary	30	51	81
3.	Permanent toilet	1	4	5
Column Total (CT)		60	60	120 (GT)

Expected Frequencies and Test Statistics (x^2) can be Computed below :

R.C.	O	E = (RT×CT)/GT	O-E	(O-E) ²	(O-E) ² /E
1.1	29	17 = (34×60)/120	12	144	8.47
1.2	5	17 = (34×60)/120	(12)	144	8.47
2.1	30	40.5 = (81×60)/120	(10.5)	110.25	2.72
2.2	51	40.5 = (81×60)/120	10.5	110.25	2.72
3.1	1	2.5 = (5×60) / 120	(1.5)	2.25	0.90
3.2	4	2.5 = (5×60)/120	1.5	2.25	0.90
					X ² = 24.18

Calculated $x^2 = 24.18$

Degree of freedom (d.f) = (r-1) (c-1) = (3-1) (2-1) = 2

Tabulated value of x^2 at 5% level of for 2 d.f. = 5.99

Interpretation

Since the tabulated value of x^2 (at 5% level of significance for 2 d.f. i.e. 5.99) is lower than calculated value of x^2 (i.e. 24.18) accept alternative (H1)

hypothesis. So it is concluded that there is significant role of SP-RDB for improving the toilet position of the villagers in study area.

4.6 Occupational patter.

The villagers have not fully associated with the agricultural sector. Either the main occupations of the villagers are different from each other but most of them partially involved in agriculture too.

The following table has been prepared by the researcher on the basis of main occupation of the villagers.

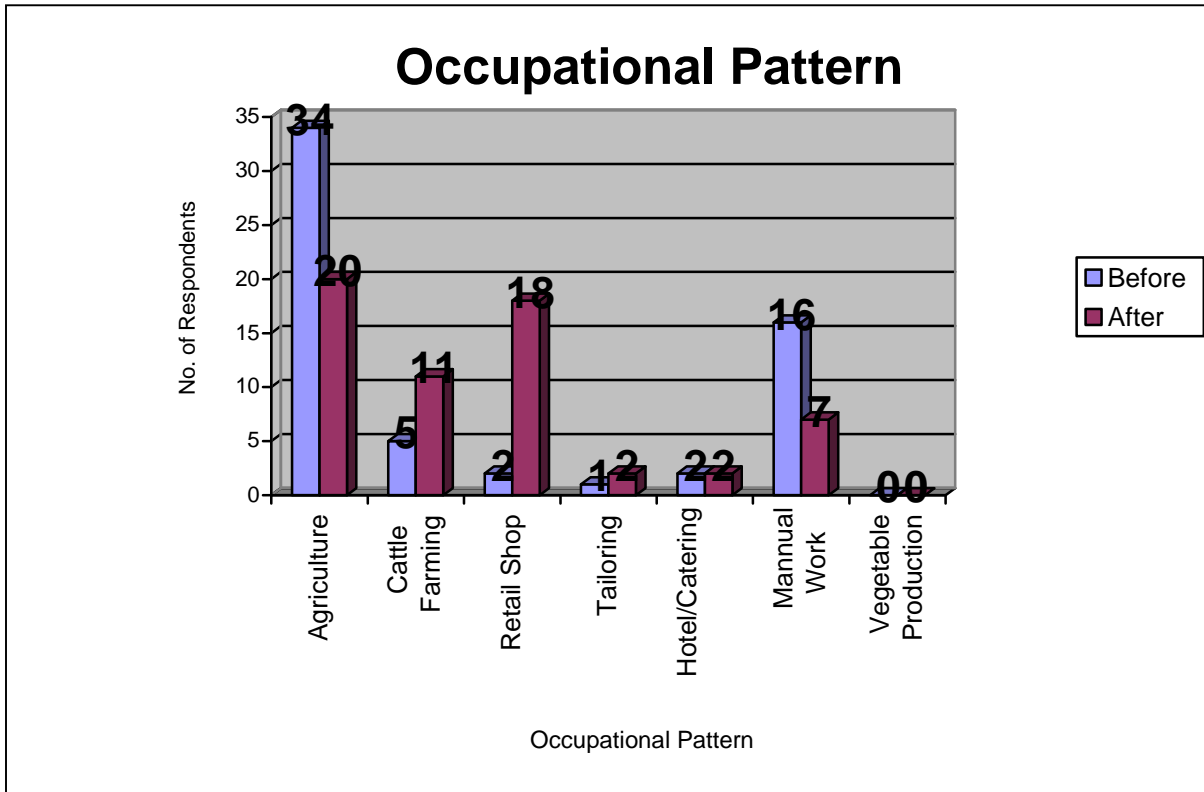
Occupational Pattern

Table 4.6

S.N.	Main Occupation	Before		After	
		No. of Respondents	%	No. of Respondents	%
1.	Agriculture	34	56.67	20	33.33
2.	Cattle framing	5	8.33	11	18.33
3.	Retail shop	2	3.33	18	30.00
4.	Tailoring	1	1.67	2	3.33
5.	Hotel / catering	2	3.332	2	3.33
6.	Manual Work	16	26.67	7	11.67
7.	Vegetable Production	-	-	-	-
Total		60	100	60	100

Source : Field Survey by the Researcher

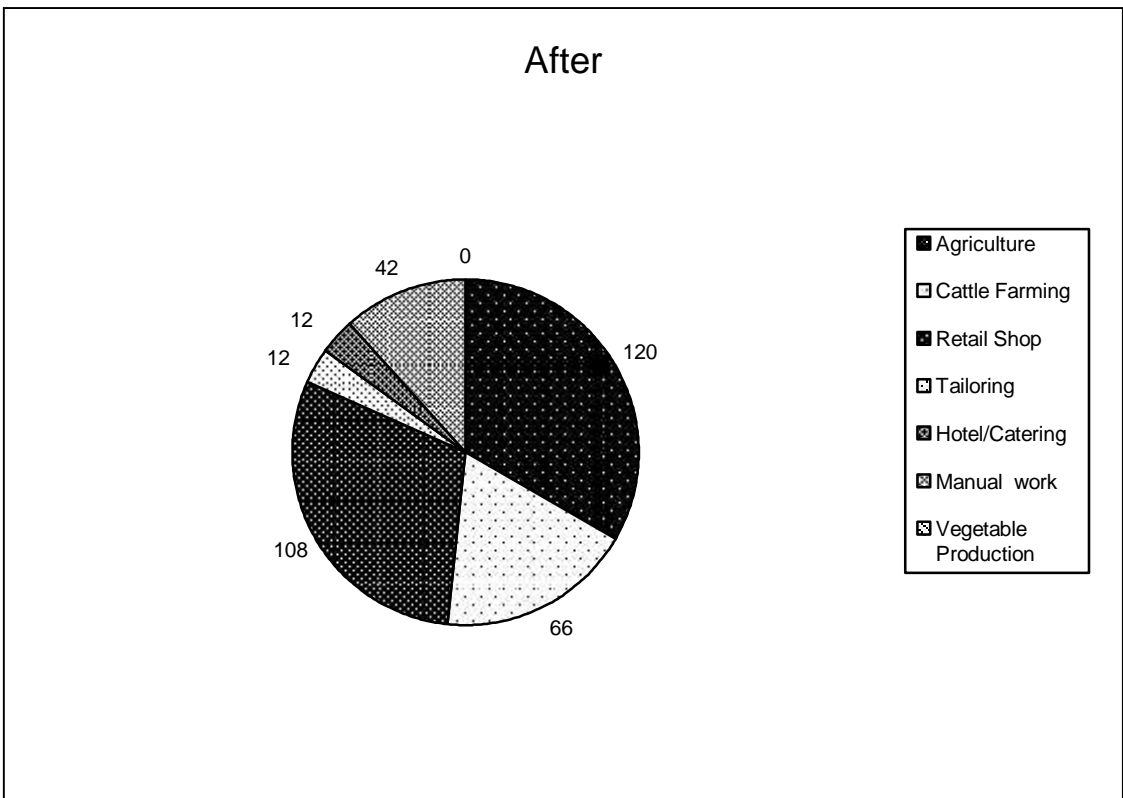
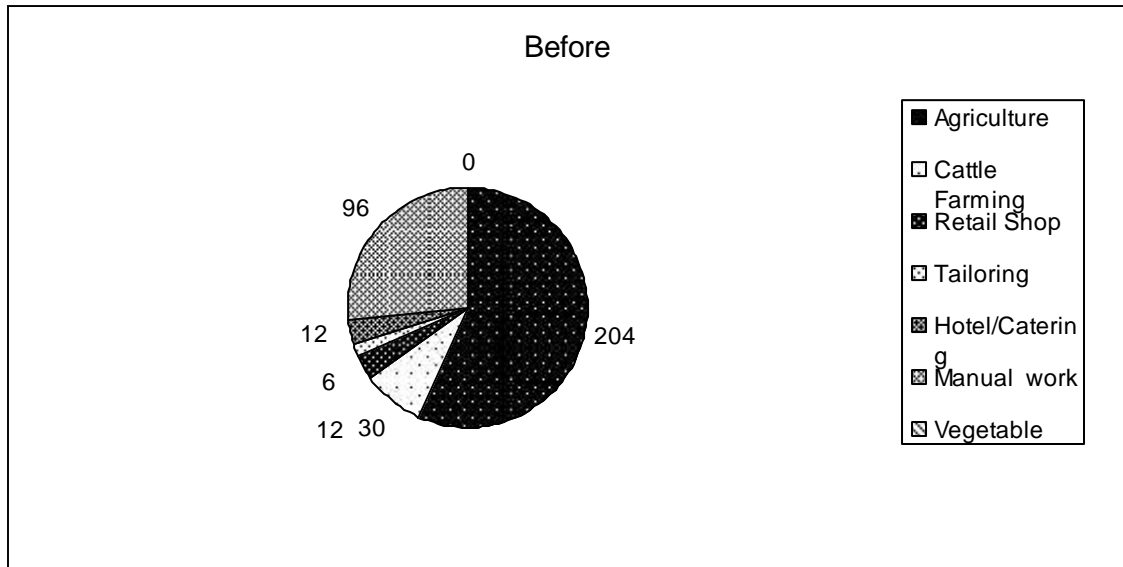
Above data can be presented with the help of following bar-diagram and pie-chart too.



Pie Chart :

Conversion in to Degree :

S.N.	Occupation	Before	After
1.	Agriculture	$34 \times 360 / 60 = 204$	$20 \times 360 / 60 = 120$
2.	Cattle farming	$5 \times 360 / 60 = 30$	$11 \times 360 / 60 = 66$
3.	Retail Shop	$2 \times 360 / 60 = 12$	$18 \times 360 / 60 = 108$
4.	Tailoring	$1 \times 360 / 60 = 6$	$2 \times 360 / 60 = 12$
5.	Hotel/ Catering	$2 \times 360 / 60 = 12$	$2 \times 360 / 60 = 12$
6.	Manual Work	$16 \times 360 / 60 = 96$	$7 \times 360 / 60 = 42$
7.	Vegetable production	-	-
	Total	360	360



From the above table, bar diagram and pie chart, there were 34 respondents in agriculture, 5 in cattle farming for milk business, 2 in retail

shop, 1 in tailoring, 2 in catering, 16 in manual work and no one in vegetable production before establishment of SP-RDB.

After establishment of SP-RDB, 20 respondents are there in the agriculture sector because of the existing disguised unemployment in this sector. 14 respondents (i.e. 23.34% of sample size) have changed their occupation from agriculture to any other where they expect to earn more than that.

Cattle farming for milk business have been increased by 10% than previous. Milk business provides immediate and more cash to the villagers than agriculture. So cattle farming for milk business are in rising condition. Most of the respondents of SP-RDB likes to open the retail shop by the borrowed loan. Due to immediate and high return without so much physical labour, most of the respondents like to do this business for improving their earnings. At present, this business has been increased by 26.67 percent. There are no changes in catering business. Only 3.33% of the respondents are involved in this business at present.

A little bit encouragement has been provided by SP-RDB to the villagers who had been previously involved in tailoring. This business is increased by 1.67 % than previous.

There were 16 respondents who involved in manual work before establishment of SP-RDB. At present, there are only 7 respondents (i.e. 11.67 % of sample size) have been working in this sector.

Any villagers do not apply vegetable production activities before and after establishment of SP-RDB. SP-RDB has no consideration for the improvement of this sector. The Indian farmers have fulfilled the demand of the vegetable in the area.

4.7 Monthly Earning of the Villagers

The focus point of this study is the earning of the villagers. Here an attempt has been done to analyze the earning of borrowers before and after establishment of SP-RDB. There are so many factors that affects the earning of the villagers, among them SP-RDB one. SP-RDB has played significant role to improve the earning or not, this is the focus point of this study. The following table shows the monthly earning of villagers.

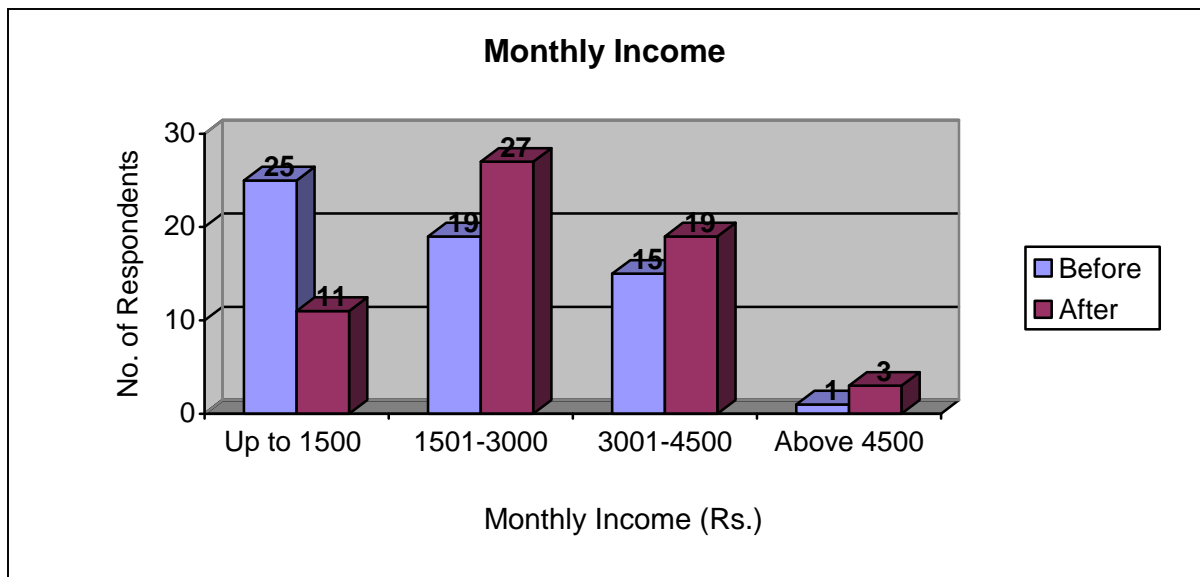
Monthly Earning

Table 4.7

S.N.	Income Group	Before		After	
		No. of Respondents	%	No. of Respondent	%
1.	Up to Rs 1500	25	41.67	11	18.33
2.	Rs. 1501–3000	19	31.67	27	45.00
3.	Rs. 3001-4500	15	25.00	19	21.67
4.	Above Rs 4500	1	1.67	3	5.00
Total		60	100	60	100

Source : Field Survey by the Researcher

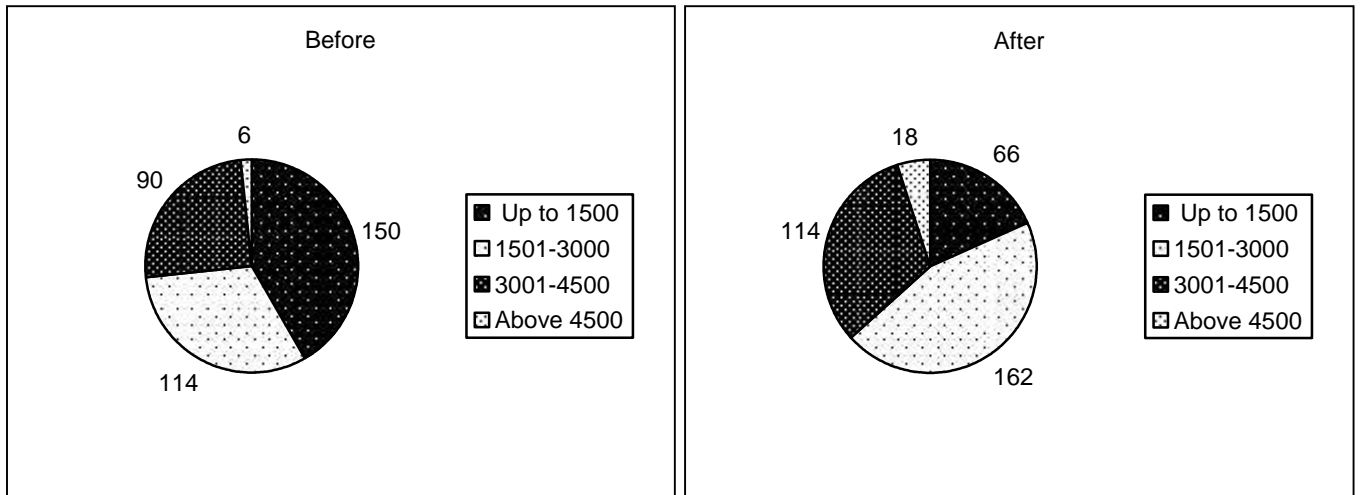
This data can also be presented with help of following bar-diagram and pie-chart too.



Pie Chart :

Conversion into Degree:

S.N.	Income (Monthly)	Before	After
1.	Up to Rs. 1500	$25 \times 360 / 60 = 150$	$11 \times 360 / 60 = 66$
2.	Rs 1501-3000	$19 \times 360 / 60 = 114$	$27 \times 360 / 60 = 162$
3.	Rs. 3001-4500	$15 \times 360 / 60 = 90$	$19 \times 360 / 60 = 114$
4.	Above Rs. 4500	$1 \times 360 / 60 = 6$	$3 \times 360 / 60 = 18$
Total		360	360



From the above table, bar-diagram and pie-char, it is clear than there were 25 respondents (i.e. 41.67% of sample size) who had the monthly income below Rs 1500 before establishment of SP-RDB but only 11 respondents are there under this income group at present. It shows that monthly income if 14 respondents (i.e. 23.45% of sample size) have increased.

There were 19 respondents (i.e. 31.67% of sample size) under the income group of Rs 1501 to 3000 before establishment of SP-RDB but at present, there are 19 and 3 respondents under this income group

respectively. There is an increment in the number of respondents by 6.67 % and 3.33 % of income group Rs. 3001-4500 and above Rs. 4500 respectively. Whether the role of SP-RDB for improving the monthly income of the villagers is significant or not, this can be measured with the help of following hypothesis.

Hypothesis

H0 : There is no significant role of SP-RDB of improving the monthly income of the villagers.

H1 : There is significant role of SP-RDB for improving the monthly income of the villagers.

$$\text{Test statistics (X2)} = \frac{\sum \frac{fO - ZE}{E}}{E}$$

Where, X2 = chi-square (Test statistics)

O = observed frequencies

E = Expected frequencies.

Observed Frequencies are given as below.

S.N.	Income Group	Before	After	Row Total (RT)
1.	Up to Rs 1500	25	11	36
2.	Rs 1501-3000	19	27	46
3.	Rs 3001-4500	15	19	34
4.	Above Rs 4500	1	3	4
	Total	60	60	Grand Total (GT)120

Expected Frequencies Test Statistics can be Computed as below :

R.C.	O	E = (RT×CT)/GT	O-E	(O-E) ²	(O-E) ² /E
1.1	25	18 = (36×60)/120	7	49	2.72
1.2	11	18 = (36×60)/120	(7)	49	2.72
2.1	19	23 = (46×60)/120	(4)	16	0.69
2.2	27	23 = (46×60)/120	4	16	0.69
3.1	15	17 = (34×60)/120	(2)	4	0.26
3.2	19	17 = (34×60)/120	2	4	0.26
4.1	1	2 = (4×60) /120	(1)	1	0.50
4.2	3	2 = (4×60) /120	1	1	0.50
					X ² = 8.34

Computed $\chi^2 = 8.34$

Degree of freedom (d.f.) = (r-1) (c-1) = (4-1) (2-1) = 3

Tabulated value of χ^2 at 5% level of significance for 3 d.f. = 7.81

Interpretation

Here the computed value of χ^2 (i.e. 8.34) is greater than the tabulated value of χ^2 (i.e. at 5% level of significance for d.f. = 7.81, null hypothesis (H₀) is rejected or alternative (H₁) hypothesis is accepted.

So it is concluded that there is significant role of Sp-RDB for improving the monthly earning of the villagers.

4.8 Monthly Saving

Monthly saving is also one variable, which measures the earning of the person. If a person has more earning, he can save money and vice-versa. But only more earning, is not enough for much saving.

Saving also depends on the habit of the person. Up to some extend, the one who have lower income if he has the saving habit can do more saving.

Saving is the excess of earning that remains after expenses incurred.

So, saving = earning – expenses.

Saving can be made through two ways.

- i) Saving Through Increasing Earning.
- ii) Saving Through Reducing Expenses.

i) Saving Through Increasing Earning

One can save the more money when he/she has the enough earning. If the earning increase , his saving will automatically increase. Here expenses are assumed as constant. Due to high earning and constant expenses, the balance amount is known as saving.

ii) Saving Through Reducing Expenses

Saving habit motivates to the person for reducing the unnecessary expenses. Due to reducing over-expenses, he can make the saving too. Here earning is assumed as constant. Although one has the low earnings, he can also save the more money than higher earnings person due to saving habit.

Following table shows the saving structure of the villagers of Shreepur V.D.C. Kanchanpur before and after establishment of SP-RDB.

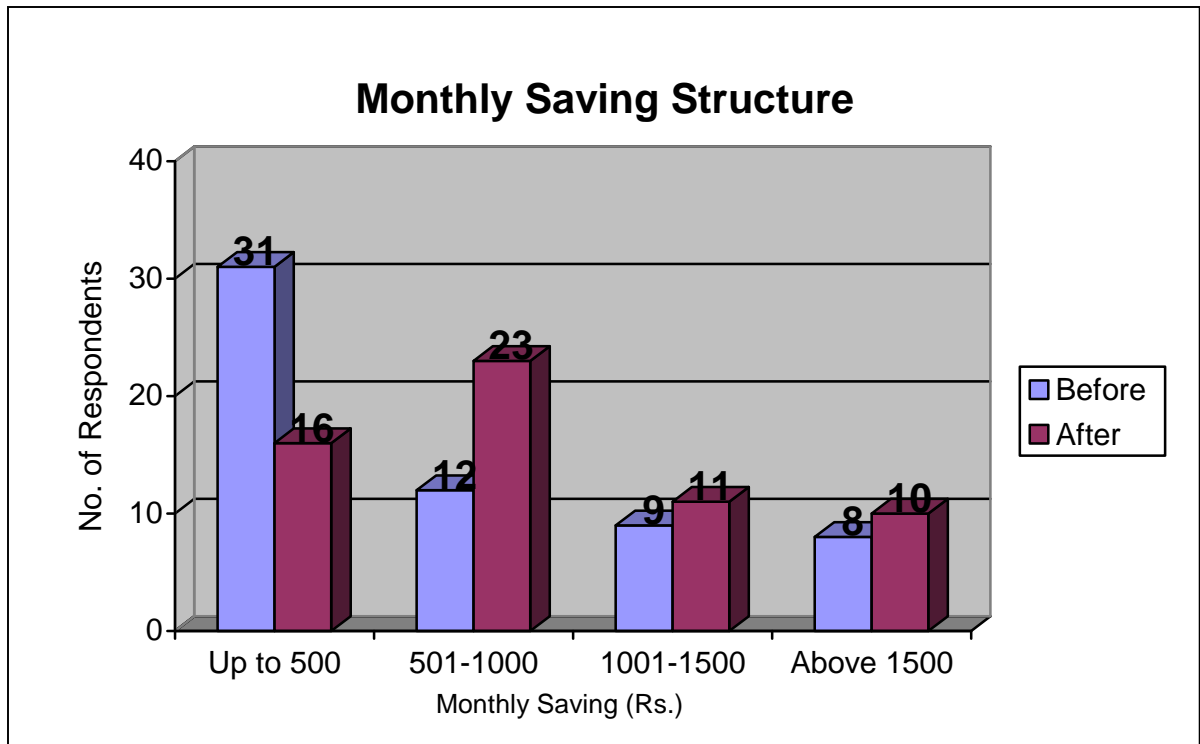
Monthly Saving Structure

Table 4.8

S.N.	Monthly saving group	Before		After	
		No. of Respondents	%	No. Respondents	%
1.	Up to 500	31	51.67	16	26.67
2.	Rs 501-1000	12	20.00	23	38.33
3.	Rs1001-1500	9	15.00	11	18.33
4.	Above Rs.1500	8	13.33	10	16.67
Total		60	100	60	100

Source : Field Survey by the Researcher

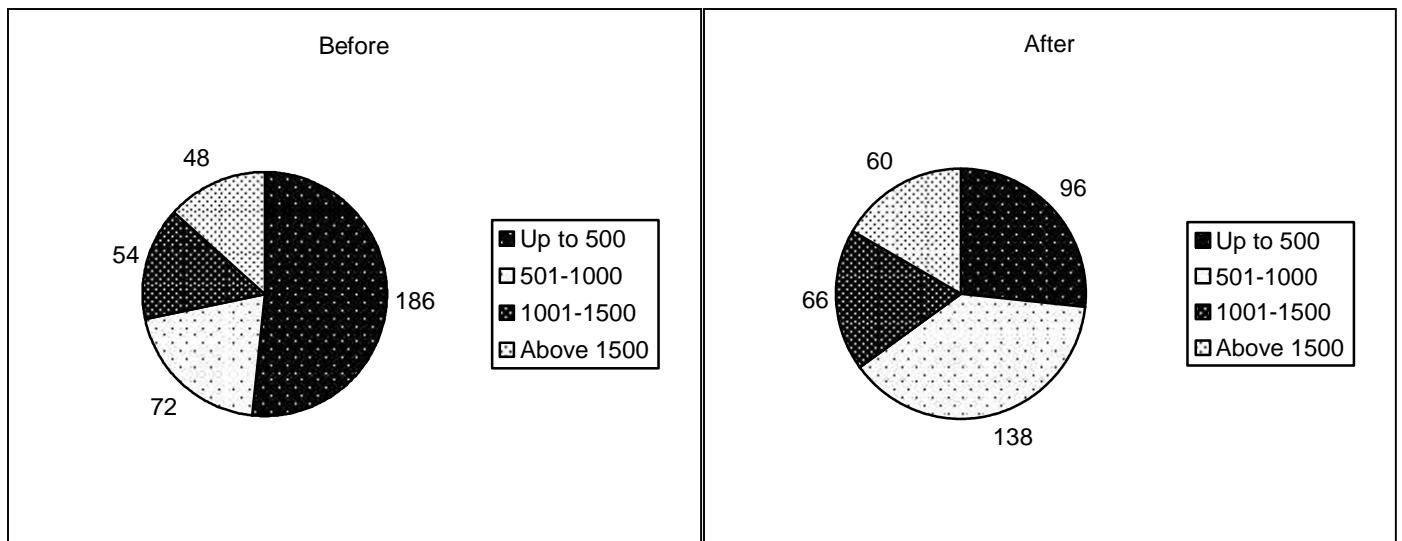
Above data can be presented with help of bar diagram and pie chart.



Pie Chart

Conversion into Degree :

S.N.	Monthly Saving Group	Before	After
1.	Up to 500	$31 \times 360 / 60 = 186$	$16 \times 360 / 60 = 96$
2.	Rs. 501-1000	$12 \times 360 / 60 = 72$	$23 \times 360 / 60 = 138$
3.	Rs. 1001-1500	$9 \times 360 / 60 = 54$	$11 \times 360 / 60 = 66$
4.	Above Rs. 1500	$8 \times 360 / 60 = 48$	$10 \times 360 / 60 = 60$
	Total	360	360



The saving groups are categorized under four groups. They are :

- i) Up to Rs 500
- ii) 501-1000
- iii) 1001-1500
- iv) Above 1500

According to above table, bar-diagram and pie-chart, there are 31 respondents who saved below Rs. 500 monthly before establishment of SP-RDB but at present only 16 respondents are there who have been saving below Rs. 500 per month.

There were 12 respondents (i.e. 20% of sample size) under the saving group of Rs. 501-1000 monthly before establishment of SP-RDB. At present number of respondents under this saving group has increased by 11 respondents (i.e. 18.33% of sample). Now there are 23 respondents (i.e. 38.33% of sample size) under this saving group.

Similarly, there were 9 and 8 respondents under the saving group of Rs. 1001-1500 and above Rs. 1500 per month respectively before establishment of SP-RDB. At present, there are 11 and 10 respondents under this saving group respectively. The number of respondents has increased by 3.33 % in each group.

Hypothesis Test

To measure the role of SP-RDB for improving the saving structure of the villagers after establishment, the following hypothesis has been set.

Setting of Hypothesis

H0: There is no significant role of SP-RDB to improve the saving structure of the villagers.

H1 : There is significant role of SP-RDB ti improve the saving structure of the villagers.

$$\text{Test statistics (X2)} = \frac{\sum \frac{(O - E)^2}{E}}$$

Where, X2 = Chi-square (Test statistics)

O = Observed frequencies.

E = Expected frequencies.

The following table indicates the observed frequencies.

Observed Frequencies Table

S.N.	Saving Group	Before	After	RT (Row Total)
1.	Up to Rs 500	31	16	47
2.	Rs 501-1000	12	23	35
3.	Rs. 1001-1500	9	11	20
4.	Above Rs. 1500	8	10	18
Column Total (CT)		60	60	120 (GT)

Expected Frequencies and Test Statistics can be Computed as below.

R.C.	O	E = (RT/CT)/GT	O - E	(O-E) ²	(O-E) ² /E
1.1	31	32.5 = (47 60)/120	7.5	56.25	2.294
1.2	16	32.5 = (47 60)/120	(7.5)	56.25	2.294
2.1	12	17.5 = (35 60)/120	(5.5)	30.25	1.729
2.2	23	17.5 = (35 60)/120	5.5	30.25	1.729
3.1	9	10.0 = (20 60)/120	(1.0)	1	0.1
3.2	11	10.0 = (20 60)/120	1	1	0.1
4.1	8	9.0 = (18 60)/120	(1)	1	0.1
4.2	10	9.0 = (18 60)/120	1	1	0.1
					X2 = 8.67

Computed value of X2 = 8.67

Degree of freedom (d.f) = (r-1) (c-1) = (4-1) (2-1) = 3

Tabulated value of X2 at 5 % level of significance for 3 d.f. 7.81

Interpretation

Since the computed value of X2 (i.e. 8.67) is greater than tabulated value of X2 at 5 % level of significance for 3 d.f. i.e. 7.81, alternative hypothesis is accepted.

So there is significance role of SP-RDB to improve the saving structure of the villagers.

4.9 Utilization of Saving

Efficient utilization of saving creates high earning of the person. In other hand, idle money creates the problem of insecurity.

There are so many factors, which encourage to the person for efficient utilization of the saving money. SP-RDB is also one factor, which has played significant role for efficient utilization the rural savings.

Following table shows the utilization of saving before and after establishment of SP-RDB.

Utilization of Rural Saving

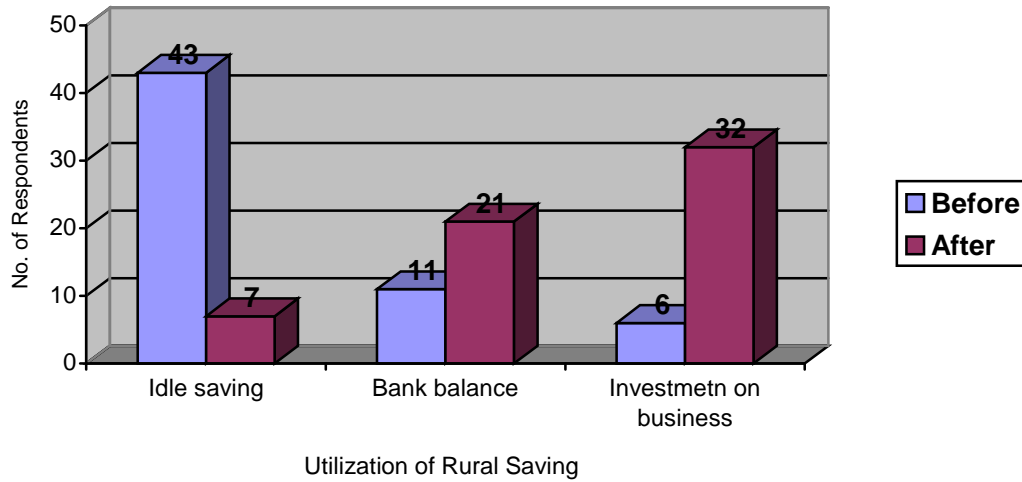
Table No. 4.9

S.N.	Utilization of Rural Saving	Before		After	
		No of Respondents	%	No of Respondents	%
1	Idle saving	43	71.67	7	11.67
2	Bank balance	11	18.33	21	35.00
3	Investment on business	6	10.00	32	53.33
Total		60	100	60	100

Source : Field Survey by the Researcher

This data can also be presented with the help of following bar-diagram and pie-chart too.

Utilization of Rural Saving

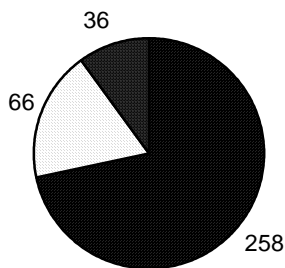


Pie – Chart :

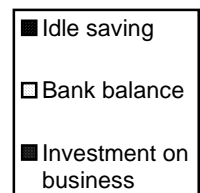
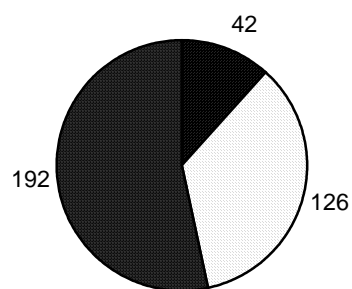
Conversion into Degree :

S.N.	Utilization of Rural Saving	Before	After
1	Idle saving	43 $360/60 = 258$	7 $360/60 = 42$
2	Bank balance	11 $360/60 = 66$	21 $360/60 = 126$
3	Investment on business	6 $360/60 = 36$	32 $360/60 = 192$
Total		360	360

Before



After



According to above table, bar-diagram and pie-chart, the utilization of savings are categorized under 3 groups, they are :

- I. Idle Saving
- II. Bank Balance
- III. Investment of Business.

There were 43 respondents i.e. 71.61 % of sample size who had the idle saving. Their saving money was in their pocket. They were not invested saving amount into any profitable areas before establishment of SP-RDB. But at present, only 7 respondents (i.e. 11.67 % of sample size) have idle money. They were 11 respondents (i.e. 18.33% of sample size) who deposited their saving amount into the bank to get the interest before establishment of SP-RDB. Now there are 21 respondents (i.e. 35 % of sample size) have deposited the saving amount into bank. After establishment of SP-RDB, number of respondents, who have deposited saving amount into bank, has increased by 16.67 percent.

Similarly, there were 6 respondents (i.e. 10 %of sample size) had invested their saving amount into business purpose before establishment of SP- RDB. Number of respondents who have invested their saving amount into business purpose has increased by 26 respondents or 43.33 % after establishment of SP-RDB.

According to above analysis, it is clear that SP-RDB has played the significant role for efficient utilization of rural saving.

Test of Hypothesis

To measure the efficient utilization of rural saving, following hypothesis has been set;

H0 : The role of SP-RDB for efficient utilization of rural saving is not significant.

H1 : The role of SP-RDB for efficient utilization of rural saving is significant.

$$\text{Test Statistics (X2)} = \frac{\sum \frac{(O - E)^2}{E}}$$

Where, X2=Chi-square (test statistics)

O = Observed frequency.

E = Expected frequencies.

Following table shows the observed frequencies.

Observed Frequency Table:

S.N.	Utilization of Rural Saving	Before	After	RT(Row Total)
1.	Idle saving	43	7	50
2.	Bank balance	11	21	32
3.	Investment on business	6	22	38
Total		60	60	120

Expected Frequencies and Test Statistics (X2) can be Computed as below.

R.C.	O	E = (RT×CT)/GT	O-E	(O-E) ²	(O-E) ² /E
1.1	43	25 = (50×60)/120	18	324	12.96
1.2	7	25 = (50×60)/120	(18)	324	12.96
2.1	11	16 = (32×60)/120	(5)	25	1.5625
2.2	21	16 = (32×60)/120	5	25	1.5625
3.1	6	19 = (38×60)/120	(13)	169	8.89
3.2	32	19 = (38×60)/120	13	169	8.89
					X2 = 46.825

Calculated $X^2 = 46.825$

Degree of freedom (d.f.) = $(r-1)(c-1) = (3-2)(2-1) = 2$

Tabulated value of X^2 -at 5 % level of significance for 2 d.f. = 5.99.

Interpretation

Since the calculated value of X^2 (i.e. 46.825) is greater than the tabulated value of X^2 (i.e. 5.99), alternative hypothesis (H_1) is accepted.

So it is concluded that the role of SP-GBB is significant for efficient utilization of the rural saving made by the villagers of Shreepur V.D.C., Kanchanpur.

4.10 Property Ownership

Property depends on the earning of the person. If one has the high earning, his properties will also more. So increment in property denotes the increment in earning too.

The word 'Property' is used here for all kind of physical assets such as house, cattle, luxurious goods, land, bank balance etc. For the study purpose, five property classes have been categorized.

Table 5.10 given below the different property classes and number of respondent lies under these classes before and after establishment of SP-RDB.

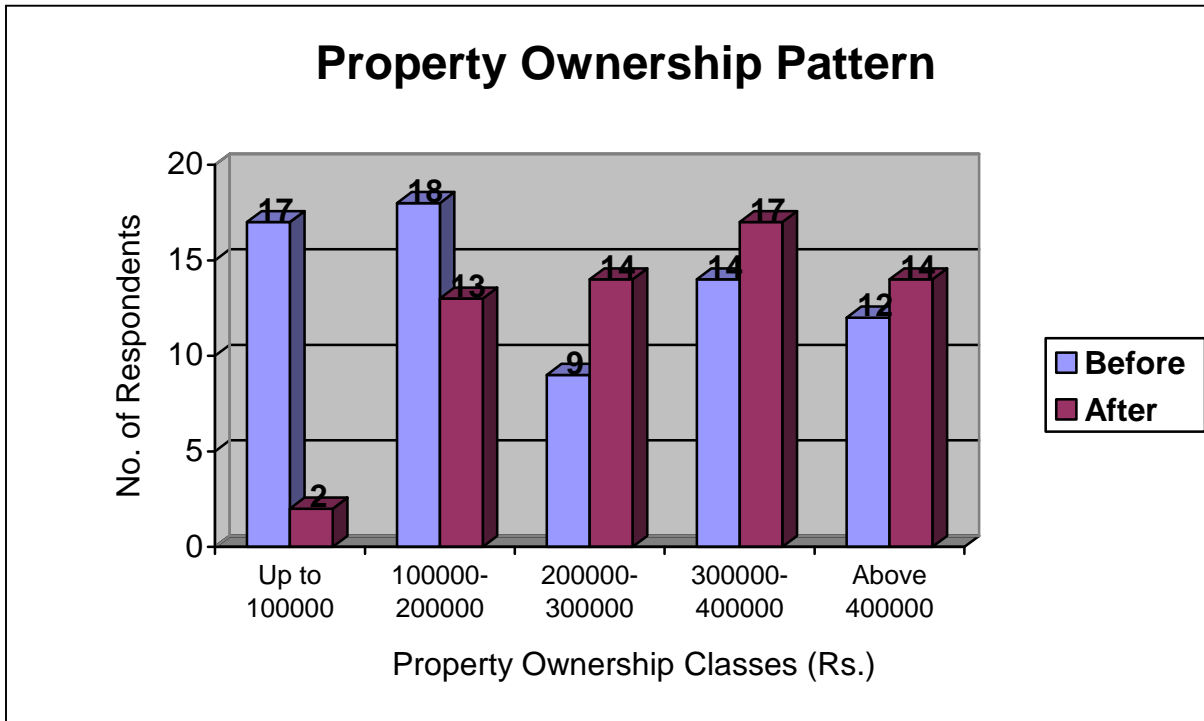
Property Ownership Pattern

(Table 4.10)

S.N.	Property Ownership Classes	Before		After	
		Number of Respondents	%	Numbers of Respondents	%
1.	Up to Rs. 1,00,000	17	28.33	2	3.33
2.	Above Rs. 1,00,000 - 2,00,000	18	13.33	13	21.67
3.	Above Rs. 2,00,000 - 3,00,000	9	15.00	14	23.33
4.	Above Rs. 3,00,000 – 4,00,000	14	23.33	17	28.33
5.	Above Rs. 4,00,000	12	20.00	14	23.33
	Total	60	100	60	100

Source : Field Survey by the Researches.

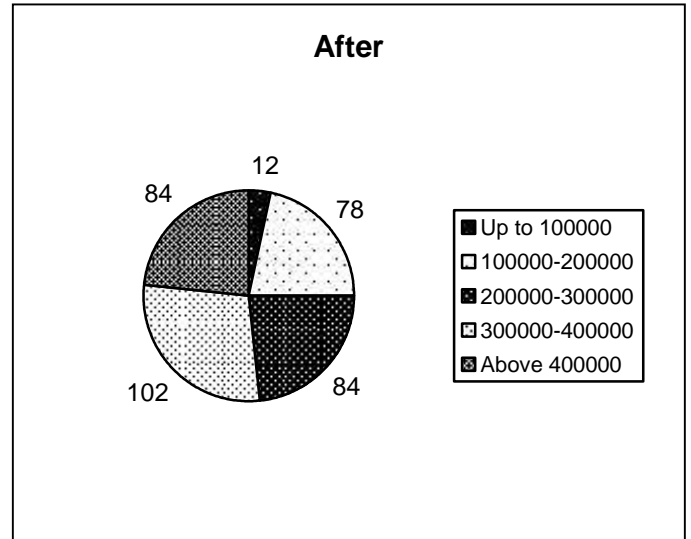
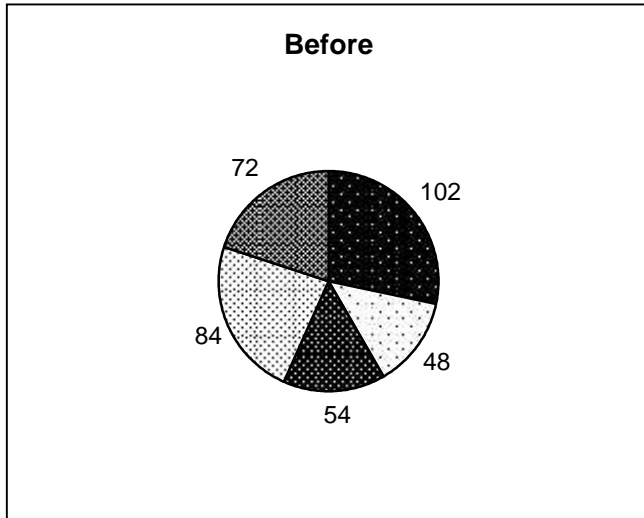
This data can be presented by the following bar-diagram and pie-chart too.



Pie Chart

Conversion into Degree :

S.N.	Property Ownership Pattern	Before	After
1.	Up to Rs 1,00,000	$17 \times 360 / 60 = 102$	$2 \times 360 / 60 = 12$
2.	Above Rs. 1,00,000 – 2,00,000	$8 \times 360 / 60 = 48$	$12 \times 360 / 60 = 78$
3.	Above Rs. 2,00,000 – 3,00,000	$9 \times 360 / 60 = 54$	$14 \times 360 / 60 = 84$
4.	Above Rs. 3,00,000 – 4,00,000	$14 \times 360 / 60 = 84$	$17 \times 360 / 60 = 102$
5.	Above Rs. 4,00,000	$12 \times 360 / 60 = 72$	$14 \times 360 / 60 = 84$
Total		360	360



By observing above table 5.10, bar-diagram and pie- chart, it is clear that there are five difference classes of property ownership.

There were 17 respondents (i.e. 28.33% of sample size) who had the property below Rs. 1,00,000 before establishment if SP-RDB. After establishment of SP-RDB there are only 2 respondents (i.e. 3.33% of sample size) who have the property of this class. 25% of this property class has been up-lifted after establishment of SP-RDB.

There are 8 respondents (i.e. 13.33% of sample size) who have the property class of above Rs. 1,00,000 to 2,00,000 before establishment of SP-RDB. After SP-RDB's establishment, the number of respondents has been increased by 8.34 percent. Now there are 13 respondents who are lies under the property class of above Rs. 1,00,000 to Rs. 2,00,000.

Similarly there were 9 respondents (i.e. 15% of sample size) under the property class of above Rs. 2,00,000 to Rs. 3,00,000 before establishment of SP-RDB and after its establishment this number has been increased by 8.33 %. At present there are 14 respondents (i.e. 23.33% of sample size) lie under this property class.

There were 14 and 12 respondents (i.e. 23.33% and 20% of sample size) under the property class of above Rs. 3,00,000 to 4,00,000 and above Rs. 4,00,000 respectively. Before establishment of SP-RDB, this number of respondents has been increased by 5% and 3.33% respectively. At present there are 17 and 14 respondents lie under the property class of above Rs. 3,00,000 to Rs. 4,00,000 and above 4,00,000 respectively.

This data shows that SP-RDB has played the vital role for improving the property ownership pattern of the villagers in Shreepur V.D.C. Kanchanpur.

4.11 Financial Analysis of SP-RDB

Following are the financial tools to measure the financial position of SP-RDB.

1. Ratio Analysis
2. Income Analysis
3. Expenses Analysis
4. Cost Volume Profit Analysis
5. Profit and Loss Trend Analysis

6. Financial Position Analysis
7. Cash Flow Analysis

4.11.1 Ratio Analysis

Ratio analysis is a financial tool, which measures the strength and weakness of various aspects of financial and operational structure of both the SP-RDB. For the purpose, based on the financial statements.

The ratios include:

- I. Liquidity Ratio
- II. Capital Structure Ratio
- III. Profitability Ratio

I. Liquidity Ratio

Liquidity ratio is mainly concerned with the ability of a firm to meet short-term obligations and reflects the short-term financial strength/solvency of the bank. Liquidity ratios are determined to assess the capacity of the firm to meet immediate maturity liabilities and efficiency of working capital utilization. Since the creditors of the bank are interested in the short-term liquidity/solvency of the bank, it is regarded as one of the most important ratios. In the following section, current ratio and quick ratios are calculated.

a. Current Ratio:

The current ratio measures the firm's short-term solvency. It indicates the availability of current assets in rupees for every one rupee of current liability. A high current ratio indicates efficiency to meet short-term obligations and excessive investment in current assets and vice-versa. Current ratio is computed using the following formula:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

In the present study, current assets comprise assets convertible to cash within a year, i.e. cash and bank balance, short-term investment, stock, accrued interest on investment, accrued interest on loan disbursement, sundry debtors, insured amount, deposit, advance salary, advance traveling expenses, loan to staff for cycle and motorbike other borrowings of staffs etc. Similarly current liabilities include the obligations measuring within a year i.e. saving deposits, inter office due, other provisions, sundry credits etc.

A high current ratio indicates excessive investment in current assets leading to under utilization of bank's resources and cause to lower profitability positions. Similarly a low ratio indicates inability to meet its short-term obligation that may lead to loss of goodwill and lower margin of safety. Therefore, satisfactory level of current ratio leads the firm into higher profitability position and able to maintain short-term solvency. A satisfactory position of current ratio depends upon the industry average or any other type of criterion.

Generally, 2:1 is assumed to be an appropriate current ratio, though it is only a rule of thumb standard. Performance of SP-RDB in terms of current ratio for the different years have been presented as below:

Current Ratio**(Table: 4.11.i)**

Fiscal year Particular	2060/61	2061/62	2062/63	2063/64	2064/65
(A) Current Assets	213474754.8	215775151.9	127947074.4	138994064.9	157356416.6
(B) Current Liabilities	173869626.5	126308717.9	74243084.91	67491110.85	80172689.61
Current Ratio= $\frac{A}{B}$	1.228	1.708	1.723	2.059	1.963

The above table clearly indicated that the current ratio of SP-RDB is higher in the fiscal year 2060/61 than its normal standard. This high current ratio indicates excessive investment in current assets leading to under utilization of bank's resources, causing to lower profitability position.

But from the fiscal year 2060/61 this ratio has decreased every year. This ratio is lower than normal standard also till this year. The lower current ratio is the prime cause of higher current liabilities, lower investment in current assets etc.

From the above analysis it is concluded that the SP-RDB maintain an appropriated current ratio for its own welfare. SP-RDB should collect its interest amount in time and should reduce its current liabilities properly. As a rule of thumb i.e. normal standard current ratio of 2:1 cannot be taken for all industries. Moreover, current ratio is a test of quantity of the liquidity position not a test of quality of liquidity position. To know the position of liquidity with clearly, quick ratio should be computed.

b. Quick Ratio:

This ratio indicated the ability of SP-RDB's immediate funds to meet their current liabilities. A high ratio indicated the greater ability to cover their current liabilities and low ratio indicated the lower ability to cover the current liabilities.

Higher quick ratio is preferable by the creditors, which reflects the capacity of the bank to pay its current liabilities promptly. But too high quick ratio is disadvantageous for the SP-RDB on capital is tied up in the unproductive assets i.e. cash bank balance. Quick assets ratio be computed by using following formula:

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

Where, Quick Assets = Current Assets-(Stock +Advance Expenses)

There is no stock and advance expenses . In this way Quick Ratio = Current Ratio

Quick Assets Ratio (Table 4.11.ii)

FY Particular	2060/61	2061/62	2062/63	2063/64	29064/65
Quick Assets	201745483.2	200587133.3	106086471.3	123550960.3	135722735.5
Current Liabilities	173869626.5	126308717.9	74243084.91	67491110.85	80172689.61
Quick Ratio	1.160	1.588	1.429	1.831	1.693

Source: Appendix Table-2

For this study, quick assets include cash, bank balance, short-term investment, accrued interest on investment, accrued interest on loan disbursement, sundry debtors etc. In other word quick assets include all the current assets except stock and advances to staffs. Similarly current liabilities comprises saving deposit amount of members, inter office due, other provisions, sundry creditors and etc. Above table reflects that quick ratio in the fiscal year 2063/064 is more than its other standard i.e. 1.83:1. Quick ratio is decreasing other fiscal year. At present, 1.16:1 is lowest ratio i.e. is 2060/061.

So the loan provider commercial banks will not ready to provide loan to this bank in near future. So the SP-RDB should maintain this ratio up to normal standard as soon as possible for the bright future. Otherwise, there are no such possibilities of getting loan from the commercial banks.

II. Capital Structure Ratio

The debt of the firm, generally, is managed from two sources. One of them is the short-term sources and another one is from long term source. The short-term creditors who are interested in the current financial position would, as already observed, use the current ratios.

The long term creditors would judge the soundness of a firm on the basis of long term financial strength measured in term of its ability to pay the interest regularly as well as repay the installment of the principal on due dates or in one lump sum at the time of maturity.

Thus, the short term creditors, like bankers and suppliers of raw-material are more concerned with the firm's current debt paying ability and loan term creditors like debenture holders, financial institution etc

are more interested to the firms long term financial strength. In fact, a firm should be a short term as well as long-term financial position.

As a general rule, there should be an appropriate mix of debt and owners net worth. Debt is more risky from the firm's standpoint. The firm has a legal obligation to pay interest to debt holders irrespective of the profit made or losses incurred by the firm. If a firm fails to pay to debt holders in time, they can take legal action against the firm into liquidation. Therefore, the management of debt should properly be managed by each and every enterprise.

The capital structure ratio mainly highlight on the long-term financial health, debt servicing capacity and strengths and weaknesses of the concerns.

Followings are the some capital structure ratios.

a) Debt-equity Ratio

Debt equity ratio is known as long-term debt to share holder's equity ratio. This ratio measures the contribution of proportionate share of the long-term debts in relation to shareholders equity. It is more significant to examine whether long term debt financing is enough to strengthen the profitability of the firm. Higher long-term debt to equity ratio is disadvantages when the firm is incurring losses orb the over all rate of earning is lower than the rate of interest payable to the debt holders and vice-versa. Debt-equity ratio can be computed by using the following formula:

$$\text{Debt-equity Ratio} = \frac{\text{Long-term Debt}}{\text{Shareholders Equity}}$$

Where, Long-term Debt = Loan taken from various banks for long term
 Share Holder Equity = Share Capital – Net Loss + Reserve Fund

Debt Equity Ratio

(Table 4.11.iii)

FY Particular	2060/61	2061/62	2062/63	2063/64	2064/65
(A) Long Term Debt	189550042.34	264653624.34	396047230.96	478390916.95	493809340.75
(B) Shareholders equity	37137761.78	57022378.74	66072595.24	35357182.61	55753137.12
Debt Equity Ratio= $\frac{A}{B}$	5.10	4.64	5.99	13.53	8.86

Source: Appendix-3

Above table clearly reveals that the long-term debt to share holder's equity ratios are fluctuating in nature and increasing trend. The ratio has increased due to increase in net loss of SP-RDB each year. Due to net loss, shareholder equity is decreased every year. There is high proportion of long term loan in the capital structure of SP-RDB and it lead the bank toward non capacity of paying long term loan in its maturity period. It is concluded that SP-RDB has higher long term loan than its share capital.

b) Long-term Debt to Total Capital Employed Ratio

This ratio indicates the contribution of proportionate share of the long term debt to the permanent capital employed. Generally, a low ratio indicates safe side to the creditors in extending credit, while a high ratio shows a greater risk to the creditors as well as shareholders under

adverse business conditions. Long term debt to capital employed ratio can be computed by using the following formula.

$$\text{Long-term Debts to Capital Employed Ratio} = \frac{\text{Long-term Debt}}{\text{Capital Employed}}$$

Where, capital employed is permanent capital provided for the long-term use. It includes shareholders equity and long-term debts where as long-term debts include loans from various banks. The long-term debt to capital employed ratio of SP-RDB for the various fiscal years has been tabulated as under.

Long-term Debts to Capital Employed Ratio (Table-4.11.iv)

FY Particular	2060/61	2061/62	2062/63	2063/64	2064/65
Long term debt	189550042	264653624.34	396047230.96	478390916.95	493809340.75
Total capital employed	226687804.1	321676003.00	59862143.37	35357182.61	55753137.12
C* = (A/B)	0.836	0.823	0.857	0.931	0.899

Source: Appendix-3

C* = Long-term Debt to Total Capital Employed Ratio

From the above table, it is clear that the long-term debt to total capital employed ratios are in increasing trend. There is high portion of long-term debt in total capital employed of SP-RDB. More than 50% of capital employed, is long-term debt in capital structure. Due to high long-term debt SP-RDB has to pay a greater amount as its interest, which leads the SP-RDB toward more losses.

iii) Profitability Ratio

This ratio has been sub-divided into followings:

a) Interest Coverage Ratio:

The interest coverage ratio is one of the most conventional coverage ratios, which measures the debt servicing capacity of an organization. This ratio indicated how many time the interest charge are covered by EBIT out of which a fall in EBIT is tolerable in the sense that the ability of the organizations to service its debts would not be adversely affected. From the creditor view point, larger the interest coverage ratio, greater the ability of the firm to pay interest amount in its maturity. However, too high ratio may indicate unused debt capacity. Similarly, a low ratio is danger signal that the firm is using excessive debt and does not have the ability to offer assured payment of interest to the creditors.

The interest coverage ratio can be computed by using following formula:

$$\text{Interest Coverage Ratio} = \frac{\text{EBIT}}{\text{Interest}}$$

Where EBIT denotes earning before interest of tax and interest denotes all the amount of interest payable on the deposits and borrowings. The interest coverage ratios have been tabulated as follows:

Interest Coverage Ratio (Table 4.11.v '000')

FY Particular	2060/61	2061/62	2062/63	2063/64	2064/65
A) Interest Income	25699442.09	26328623.53	34312019.23	39378383.24	41328487.58
B) Operating expenses	25795771.04	16577220.63	18009399.58	19703765.55	16272339.21
C) EBIT A-B	(96328.95)	9751402.9	16302619.65	19674617.69	25056148.37
D) Interest expenses	14156614.31	15563379.10	22042512.48	27325795.70	29740404.34
E) IC Ratio = $\frac{C}{D}$	(0.0068)	0.626	0.739	0.720	0.842

The above table clears that there is no amount of EBIT for paying the interest amount. Operating expenditure is higher than its income. SP-RDB has been suffering from loss every year. It has no excess operating income over its operating expenditures. So SP-RDB has earned sufficient interest income by providing loan to the villager more than present condition.

a) EPS & DPS:

EPS is a widely used ratio in assessing the profitability of a firm from the owner's viewpoint. In other words, it measures the percentage profit available to the equity shareholders on a per share basis. Earning per share is computed by knowing the following formula:

$$\text{EPS} = \frac{\text{Earning Available to Equity}}{\text{Number of Equity Shares}}$$

Similarly, DPS stands for divided per share. It is evaluated to examine the percentage of the divided that the shareholders received in relation to the paid up value of the share. Generally shareholders expect higher

percentage of dividend. An organization offering a high dividend per share is regarded as an efficient organization. It will also enable to increase in the value of an organization. Dividend per share can be computed by applying the following formula:

$$\text{DPS} = \frac{\text{Dividend Paid to Equity Shareholders}}{\text{Number of Equity Shares}}$$

But in the case of SP-RDB, there is no any amount of profit in the study period. So the SP-RDB has unable to pay dividend to its shareholders. It has no any amount of earning for equity shareholders during the study period. So SP-RDB has no any EPS and DPS during the study period.

4.11.2 Income Analysis

Income analysis can be taken as one of the important indicators of the financial position of an organization. It is analyzed mainly to examine the proportionate contribution of various sources of income in generating total income. In the present case, the prime sources of incomes are interest from loan disbursement and interest from investment on government saving certificates. The secondary sources of income of SP-RDB are subsidy and other incomes.

The contribution of these sources to generate total income have been tabulated as bellows:

Sources of Incomes of SP-RDB (in Rs. '000') (Table- 4.11.vi)

FY Sources of Income	2060/61	2061/62	2062/63	2063/64	2064/65
A)Interest income:	25700	26329	34312	39378	41328
From loan disbursement	16373	14330	13938	13000	13671
From investment	9327	11999	-	-	-
From agency stock	-	-	137	519	-
From other fixed deposit	-	-	2023	25859	27657
Percentage (%)	98.45	96.62	98.41	96.70	97.72
B) Other Incomes	405	920	554	1343	963
Percentage (%)	1.55	3.38	1.59	3.30	2.28
Total Income (A+B)	26105	27249	34866	40721	42291
Percentage (%)	100	100	100	100	100

Sources: Appendix-4

From the table above, it is cleared that the highest contribution of interest income in total income of SP-RDB. Other income and subsidy income has a nominal contribution to its total income during study period.

4.11.3 Expenses Analysis

Expenses analysis is a significant part of every organization to examine the financial performance. Expenses analysis assists to identify the proportionate composition of various expenses to total expenses. In the present case, the expenses of SP-RDB include interest on deposits made by members, interest on loans, various staff expenses office operating expenses and miscellaneous expenses.

The proportionate expenses in Rs. and in percentage to total expenses have been tabulated as below:

Expenses of SP-RDB (Rs. in '000')**(Table 4.11.vii)**

FY Expenses	2060/61	2061/62	2062/63	2063/64	2064/65
A) Interest expenses	14157	15563	22043	27326	29740
Percentage (%)	35.43	48.42	55.04	58.10	64.64
B) Staff expenses	21867	13322	15020	16738	13184
Percentage (%)	54.73	41.45	37.50	35.59	28.65
C) Office operating expenses	3929	3256	2989	2966	3088
Percentage (%)	9.84	10.13	7.46	6.31	6.71
Total expenses (A+B+C)	39953	32141	40052	47030	46012
Percentage (%)	100	100	100	100	100

From the above table it is clear that the portion of staff expenses is higher than other in total expenses of SP-RDB. The details of the expenses is as below:

Interest Expenses

Interest expenses consists the interest paid on deposit of members. The above table clearly reveals that the interest expenses are the second major expenses of SP-RDB. This expenses has recorded in increasing trend during the study period.

Staff Expenses

Staff expenses includes salary and allowances provident fund and other expenses relating to SP-RDB's personnel. Staff expenses cover the major portion in the total expenses pattern of SP-RDB. This expenses has increasing trend during the study period.

Office Operating Expenses

Office operating expenses includes all types of official expenses such as house rent, electricity and water, repair and maintenance, insurance,

postage, telephone, printing and stationery, books and periodicals, advertisement, depreciation, audit fee, transportation, traveling allowance and expenses, and miscellaneous expenses. Office operating expenses have recorded a decreasing trend till the first four years and have increased there after.

4.11.4 Cost Volume-Profit Analysis

Cost volume profit analysis is also known as CVP analysis. The study of the relationship among cost volume and profit is known as CVP analysis. To become a good manager, one should have the deep knowledge of CVP analysis. CVP analysis plays an important role on management decision, profit planning and control, budgeting and cost control. It can also be taken as analytical tool or modern tool in management sector. With the help of this analysis, one can fix the sales limit to get the break even point. Profit of the company is mainly based on the following three components.

- I. Cost of Production
- II. Volume of Production
- III. Selling Price.

Cost of production is mainly based on material cost, labour cost and other overheads. If the production units are high, these costs are decreased. So cost of production also depends on production volume. Due to lower cost of production, the company can get the maximum profit with the same selling price.

Break-even point is the point in which the company neither can earn profit nor loss.

Computation of break-even point for interest income for the fiscal year 2064/065.

$$\text{BEP (Rs)} = \frac{\text{FC}}{\text{P/V ratio}}$$

$$\text{Where, P/V ratio} = \frac{\text{Sales-VC}}{\text{Sales}} = \frac{\text{CM}}{\text{Sales}}$$

$$\text{Sales} = \text{Interest Income (in Rs '000')}$$

$$= \text{Interest from Loan Disbursement} + \text{Interest from other Fixed Deposit}$$

$$= 13671 + 27657 = 41328$$

$$\text{Variable cost} = \text{Interest expenses} = 29740$$

$$\text{CM} = \text{Sales} - \text{VC}$$

$$= 41328 - 29740 = 11588$$

$$\text{Now, P/V ratio} = \frac{\text{CM}}{\text{Sales}}$$

$$= \frac{11588}{41328} = 0.2804$$

Where, FC = Fixed cost i.e. staff expenses + office operating expenses

$$= \text{Rs. } 13184 + 3088 = \text{Rs. } 16272$$

$$\text{Hence, BEP (Rs.)} = \frac{\text{FC}}{\text{P/V ratio}} = \frac{16272}{0.2804} = \text{Rs. } 58031.38(\text{'000'})$$

From the above break-even point analysis, it is concluded that SP-RDB should earn interest income of Rs. 58031380 per year to get its break-even point. At present, the SP-RDB has been earning of interest income Rs. 41328000 only. Now a day the bank is able to earn 28.04% of interest income for break-even point. So the bank should increase this interest income by 63.76% from the coming years with in the same capacity. To increase interest income, the bank should distribute more loan amount to the members and increase its collection skill of loan too.

4.13.7 Profit and Loss Analysis

Profit situation of SP-RDB is beyond mentionable status due to negative profit during the study period besides fiscal year 2062/63. Other wise the trend of loss is an increasing or decreasing. Following table shows the trend of profit and loss during the study period.

Fiscal Year	2060/61	2061/62	2062/63	2063/64	2064/65
Net loss/Profit	(21437291)	(1552674)	6210451	(24504960)	(4109006)

The above table shows that a large amount of loss is bore by SP-RDB but no action is taken for remedy. Due to such heavy loss amount appeared in the profit and loss account, the SP-RDB has to take more and more loan amount to operate its activities.

4.11.6 Financial Position Analysis

Balance sheet of SP-RDB shows its financial position during the study period. The appendix table 6 and 7 shows assets and liability of SP-RDB respectively. Amount of fixed assets have been decreasing each year; it is because no new assets are acquired but amount of depreciation is charged each year.

Due to inefficient collection system of SP-RDB, account receivable amount are increasing each year but no further process of collection is being done likewise amount of advance payment to the staff is also increasing each year but process is for clearing such accounts. Due to heavy loss each year, SP-RDB could not meet its operating expenses. Therefore it has to take loan from different banks. The amount of loan has an increasing trend and respective interest expenses are also in increasing trend. Due to loss in each year, no amount could be provided for the reserves and contingencies. If any expenses and losses are occurred during the fiscal year, that was to be adjusted with in the paid up capital. So real value of capital is being decreasing each year.

4.11.7 Fund Flow Analysis

Funds flow analysis studies about the sources and applications of funds. The appendix table no. 8 and 9 contains sources and uses of funds respectively. The sources of fund contain capital funds, deposits, borrowings and others. Similarly uses of funds contain investments, loans and advances and others. During the fiscal year 064/65, the main sources of fund is borrowings and Rs. 8892000 increases other sources where Rs. 15418000 increases borrowing and other sources. This

means, for fulfillment of fund requirement SP-RDB has to request for loan

During fiscal year 064/65 most of fund is used in loans and advances and other uses. The amount of loans and advances is increased by Rs. 12422000 where as other uses is increased by Rs. 9637000 during the fiscal year 064/65.

Uses of funds in investment into government bonds and shares are being decreased. The amount of investment is increased by Rs. 6000000 during the fiscal year 064/65. To meet the fund requirement, SP-GBB has to take loan. The main purpose of SP-GBB is to provide loan to its members but it has no miscellaneous loan in the SP-GBB.

5.11.8 Cash Flow Analysis

The analysis of cash flow is done to see whether the cash amount is required or idle cash is to be invested in some profit oriented sector. The appendix table 10, reveals the analysis of cash flow during the fiscal year 2064/65. The opening balance of cash is Rs.15599779 and Net cash is decreased by Rs.3696557. The ending balance of cash remaining Rs.11903222. Hence it seems that SP-RDB could not invest its cash in profit-oriented sector as loans and investments. SP-RDB has large amount of idle cash, which shows inefficiency of the management of SP-RDB.

CHAPTER - V

SUMMARY, FINDING AND RECOMMENDATION

5.1 Summary

Poverty is a deep rooted in rural area. To uplift the life standard of rural people, the government has set up regional rural development banks, namely: Sudur-Paschimanchal Rural Development Bank, Madhya-Paschimanchal RDB, Madhyamanchal RDB and Purbanchal RDB. RDB does not only provide loan and collect them but also creates social awareness in the society. It has been working for generating income of rural people by providing loan service without any collateral securities. At first RDB conducts training so that after getting loan, the villagers can really do some work and can generate income in targeted period of time. Its program is started taking the poorest people of the society as its main clients. So it is becoming a real bank for the poor.

Due to success of RDB system in Bangladesh, some of the banking institutions in Nepal got idea of applying the same service too. They tried to implement similar system in some part of country but failed in their works. In 1991, an NGO named NIRDHAN introduced GBFS (Grameen Bank Financial System) in Nepal. This was first effort replicate the GBFS in Nepal. Nirdhan started its initial work in January 1993 in Rupandehi district.

Then after, replicating the RDB system of Bangladesh Purbanchal and Sudur-Paschimanchal Rural Development Bank were established in 2049 B.S. on the ownership of Nepal Government, Rastra Bank and Commercial Bank. Paschimanchal RDB, Mdyapashchimanchal RDB and Purbanchal RDB have been established later only. Before establishment of RDB, Nirdhan was established as replication of Grameen Bank.

SP-RDB was established in 17th Falgun 2049 B.S. under the development bank regulation for Far West Development Region.

SP-RDB has given more emphasis to uplift the living standard of the rural villager. This bank provides loan to group with out any collateral assuming that the group has sufficient efficiency to utilize the borrowed loan. A group of 5 members of similar nature is taught to write their name and given some suggestions to get the optimum return from borrowed loan. They borrow loan and pay it back in installments in their every weekly meeting.

For the upliftment of living standard and earning of the villagers, SP-RDB has been established with various other objectives too. Some of them are to provide the banking facilities and services to the poorest of the poor in the society to create employment generating opportunity to enhance awareness level of the poorest of the poor through training and literary classes, to uplift the socio-economic status of the rural people through community based programmes, to develop institutional mechanism from the grass roots level to link saving with credit and initiate self reliant economic activities for strengthening rural economy and to conduct action research on mobilizing resources to support the poor.

SP-RDB is a banking institution. It has many offices, which are categorized into four classes. The level starts from the top level:

- Head Office
- District Office
- Area Office
- Unit Office

Every unit office comprises usually 40 groups i.e. (40 x5) =200 members of SP-RDB.

This study has been carried out in Mahakali zone, Kanchanpur District, Shreepur village Development Committee.

The field survey has been conducted from 15th Apr. to 2nd May 2009 i.e. (2nd Baishakha to 19th Biashakha of 2066)

The main focus point of this study is to find out the role of SP-RDB in income generation of the Shreepur villagers, Kanchanpur.

5.2 Findings

Followings are the main findings.

1. SP-RDB has played significant role in increasing the land-ownership pattern. The number of landless people, which used to get its second highest position in magnitude among the people in the area has fallen at the bottom after the establishment of SP-RDB. But the bank has not played significant role either in increasing or decreasing the land ownership pattern of above 10 to 20 katta and above 20 katta.
2. SP-RDB has played pivotal role to improve the housing condition of the people in the study area. Before the establishment of SP-RDB, brick wall with RCC roof were absent in the area but at recent 11.66 percent people are living in this type of houses.
3. SP-RDB has played most effective role to increase treatment capacity of the people in this area. Among the people those do not visit the doctors have strong believe on witch doctors for their treatment.

4. SP-RDB has played positive role in improving the educational status of the people in the area. Literacy has been raised from 21.67 percent to 41.67 percent.
5. SP-RDB has played effective role to change the occupational structure of the people in the area. The dependency on agriculture to a large extent has replaced by retail shops and cattle farming by holding 48.33 percent of the people collectively.
6. After the SP-RDB program implementation, the people are increasing their income. Before the program implementation, most of the people in the area have income level of below Rs.1500 per month. After the program implementation, most of the people in the area have income level between Rs.1500 to 4500 per month. In this way, SP-RDB has succeeded to increase the earning of the people.
7. After the SP-RDB program implementation, people have able to save certain amount of money. Most of people (38.33%) of the area save between Rs.500 to 1500 per month.
8. Before establishment of SP-RDB, most of the people used to have idle saving. After the establishment of SP-RDB, most of the people (53.33%) have invested their saving in different suitable business like retail shop, cattle farming, tailoring, catering etc.
9. SP-RDB has supported to the people to increase their property ownership pattern as it is found that there is increment in property of the borrowers after taking loan from SP-RDB.

10. SP-RDB has not succeeded to earn profit during the study period. It has suffered from huge amount of losses, which has an increasing trend. So the financial position of SP-RDB is very weak.
11. Due to heavy losses in each year, SP-RDB has to take loan from various banks and has an increasing trend. Loan is the main source of its required fund.

5.3 Recommendations:

Followings are major recommendations:

1. Credit Facility of SP-RDB is limited to married women only SP-RDB should expand its credit facility to male and girls also.
2. According to procedures of the SP-RDB every member should be literate before joining the SP-RDB. Therefore, to be more effective, the SP-RDB should work along with other organizations to expand literacy and other vocational and entrepreneurial training.
3. Most of the members are involved in animal husbandry. So SP-RDB could be more effective in this area if it also made arrangements for veterinary services and insurance of the animals.
4. There is high demand for loan amount in this area, however, there is not sufficient supply. Therefore, the bank should increase its lending capacity by borrowing loans from international economic and financial organizations and institutions at very low rate of interest. If SP-RDB increases its lending capacity and provides loan to more rural poor people, they will be able to self-employed by starting new business.

5. Weekly repayment system of loan is not appropriate. According to the nature of loan, repayment period is to be fixed and increased.
6. From the field survey, it is clearly known that no one is there who involved in vegetable production activities. Indian farmers fulfill all the demand of vegetable of the area. So it is strongly recommended that SP-RDB should encourage small farmers to produce the vegetable and should also provide training and seeds to them in this regard.
7. SP-RDB should increase its interest earning capacity by 63.76 percent to get its break-even point. It has distributed more loan amount to its members to get BEP.

BIBLIOGRAPHY

BOOKS:

Dangol, R.M., ***Management Accounting***, (2051), Taleju Pustak
Bitarak, Kathmandu

David S. Gibbons, ***The Grameen Reader***, (1995)

Gupta, S.C., ***Management Accounting***, (1992) Agra, India,
Sahitya Bhawan

ILO, ***Strategies for Alleviation Poverty in Rural Asia***, (1985),
Asian Employment Programme Bangkok

Joshi, Shyam, ***Managerial Economics***, (2050), First Edition, Taleju
Prakashan, Kathmandu

Khan, M.Y. & Jain, P.K., ***Management Accounting***, (1989),
Fourth reprint, New-Delhi, Tata Mc Graw-Hill Publishing C.
Ltd.

Panta, G.D., ***The GBFS: Replication Project in Nepal***, (1994),
Nirdhan news, Rupandehi

Pant, P.R. and Wolf, H.K., ***A Hand Book For Social Science
Research and Thesis Writing***, (1999), Second edition,
Kathmandu

Sharma, Hari Bhakta and Gautam, Ram Prasad, ***Nepal District
Profile***, (1999), Fourth edition, Nepal Research Associates,
Kathmandu

Yunus, M., **Grameen Bank: Experience and Reflection.**,(1991)

Yunus, M., **GBFS: The Lesson of Experience**, (1995)

PERIODICALS, REPORTS AND JOURNALS:

Editorial, **The Times,: Banking on the poor**, (1998), London

Central Bureau of Statistics, **Statistical Year Book of Nepal**,
(1999) Kathmandu

Economic Overview, (2000), Vol. 2

Nepal Government, Ministry of Finance, **Economics Survey**, (FY
1999-2000), Kathmandu

Nepal Government, National Planning Commission, **The Eighth
Five Year Plan**, (1992-1997), July (1992), Kathmandu

Nepal Government, National Planning Commission, **The Ninth
Five Year Plan**, (1997-2002), July (1997), Kathmandu

Karki, Rewat Bahadur, **N.R Bank News**, (2055), Annual
Publication of 43th Anniversary, Baluwatar, Kathmandu

SP-RDB, **Training Guidelines**, Central Office, Dhangadhi

SP-RDB, **Policy and Procedure Study**, (2051), Central Office
Dhangadhi, Kailali

World Bank, **World Development Report**, (2000/2001), Oxford
University Press

Yunus, M., **The Gurdian**, (31 oct. 1998), (<http://grameen-info.org/article>)

DISSERTATIONS:

Joshi, Ambikeshor Prasad, Dissertation on Role of GBB in alleviation of rural poverty: A case study of fulbari VDC, Kailali, Submitted to Central Department of Humanities, for the partial fulfillment of M.A. (Economics), T.U. Kirtipur, (1995)

Kharel, Yogmaya, Dissertation on Impact of GBB on poverty alleviation among the women of the FWDR. Submitted to central Department of Humanities for the partial Fulfillment of M.A. (Sociology),T.U. Kirtipur, (1998)

Khatiwada, T.R. Dissertation on An assessment of overall performances of GBB's of Nepal, submitted to central department of management for the partial fulfillment of MBA, T.U. Kirtipur,91999)

Pandey, Bhanu Bhakta, Dissertation on Assessment of GBB of Semlar Branch in income generation for poverty ridden rural women, Rupandehi, Submitted to Central Department of Humanities for the partial fulfillment of M.A. (Economics),T.U. Kirtipur (1998)

Sapkot, Bishal, Dissertation on Impact of GBB on rural poor women:A case study of P-GBB of Nepal, submitted to Shanker Dev Campus, for the partial fulfillment of MBA, T.U. Kirtipur (2000)