

CHAPTER-ONE

INTRODUCTION

1.1 General Background

Nepal, like all underdeveloped countries, has been facing the problem of accelerating the economic development because the development of any country largely depends upon its economic development. The primary goal of any nation, including Nepal, is rapid economic development to promote welfare of the people and the nation as well. But it is obvious that the economic development is impossible without the development of different sector like agriculture, industry etc.

Nepal, being a developing country, is trying to embark upon the path of economic development by economic growth rate and developing all sectors of economy. Even through, the process of economic development depends upon various factors, however economists are now convinced that capital formation and its proper utilization plays a paramount role. The network of a well-organized financial system of the country has a great bearing in this regard. It collects scattered financial resources from the massed and invests them or engaged in commercial and economic activities of the country. In this way, the financial institutions provide savers highly liquid divisible assets at a lower rate while the investors receive a large pool of resources. Integrated and speedy development of the country is possible only when competitive financial service reaches hooks and corners of the country. It has been well established that the economic activities of any country can hardly be carried forward without the assistance and support of financial institutions. Financial institution have catalytic role in the process of economic development.

It is true that the proper development and functioning of financial institution that is the commercial banks and non-bank financial institutions have their profound effect on the economy. The commercial banks deal with the activities of trade, commerce, industry and agriculture. The establishment of financial intuitions depends upon the level of economic activities and monetary transactions. Because of growing financial and business activities within the nation and intuitional progress in the neighboring countries, had forced Nepal think about establishment of bank, And established Nepal Bank Ltd as first bank of Nepal.

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Actually, the date of birth of Nepal Bank limited has written in golden letter in history of Nepal. On Kartik 1994(B.S.) came in existence on the auspicious day of Laxmipuja, festival of goddess of wealth. From that very day, a new era of modern banking started which means a new trend of modern management process was introduced in this country. Prior to the establishment of Nepal Bank Ltd, most of the monetary businesses were handled by some merchants and position of certain loans on gold and silver were invested by government office named “Tejaratha Adda”.

The Second World War affects a modern financial institution was felt to fulfill the demand of that period. Thus, the first bank in Nepal Bank Act 1993 B.S. with a merge with paid up capital of Rs. 842,000/- only owing 51% of the government shares and 41% shares belong to public sector. But now the capital structure of this bank is; Authorized capital Rs. 1000 million, Issued capital Rs.500 million and paid-up capital Rs. 380 million with 40.2% Government share and 59.8% public share. As there was no central bank in Nepal, Nepal Bank had to carry on its commercial business with out any guidelines of central bank, which is perhaps the most challenging task to Nepal Bank, but with in few years of its existence it could.

In the initial stage for proving banking facility to people, they increase number of branches to all over the country. In 2051 B.S the number of branches reaches to 213 but due to insecurity of rural area, the bank centralized the rural branches so the number of branches decreases to 123 in 2061 B.S, this shows that this bank is more affected by the current environment of country. This bank has passed through many difficulties in its early days and has done pioneering work in popularizing banking habits among the people, who were generally used to the traditional practices of monetary transaction in the non-monetary sectors. Since the Nepal Rastra Bank was founded only in 1956 A.D. in the early years of development of the country, Nepal Bank has to manage a portion of accounts of government also. The entire business of note exchange and other concerned activities were instructed by the government to this bank, Nepal bank was only authorized agent of Nepal Rastra Bank (the central bank) till 1996 A.D. prior to the establishment of another government favored commercial bank. One should not forget that Nepal Bank was up at time when banking habit was not prevalent in the country and in these days, all activities were limited to moneylenders. So long as

moneylenders remain in private content to leave the detailed administration to themselves, however at the same time the government had also a clear duty to see mobilization of credit in our economy, which means to start the basic pattern of development.

1.1.1 Origin and Historical growth of Banking

The term “Bank” is derived from Italian word “Banko” which means a counter table or bench used by medieval money exchanges. According to Oxford Dictionary bank means “an establishment for keeping money and valuables safety of the money being paid out on the customer order by means of cheque.”

Banking is of ancient origin, though little is known about it before the middle ages. The origin of commercial banking can be traceable in the ancient era of Greeks and Mesopotamians as well as Romans, when the practice of storing precious metals and coins at safe places and loaning out money to the people on interest was prevalent. The traces of rudimentary banking are found in Chaldean Egyptian and Phoenician history.¹ Modern banking made its first appearance in medieval Italy, despite strong Christian prohibitions against usury (the charging of interest) according to the Canon Law Florence, Genoa and Lucca became the centers of finance and trade in Twelfth and Thirteenth centuries.²

The first banked called the ‘Bank of Venice’ was established in Venice, Italy in 1157 A.D. to finance the monarch in his wars following its establishment, the bank established were the Bank of Barcelona and the Bank of Genoa in 1401 and 1407 respectively. Banking slowly spread to the rest of Europe and by the late thirteenth century in Barcelona, even the Clergy was engaged in banking. The Germans and Swiss rose to pre-eminence in the 1480s. The bank of Amsterdam was the great bank of the 17th century and it enjoyed a prestigious position, No less important than is help currently by the Bank of England, for a long time in the sphere of international commerce.

The concept of modern commercial bank came to existence by the emergence of Bank of England in 1694 with a capital of 1.2 dollar million by group of wealthy London merchants and financiers, since at that time, there

was no concept of joint stock company, it was necessary to obtain a special charter from the crown to poll their money in common venture. King William III was too pleased to grant a royal charter to Bank of England because in return a capital subscribed of 1.2 million dollar was lent to him to finance his war against France. The charter also gave the new bank the right to issue notes payable on demand up to the amount of the loan to the King. R.S. Sayers's rightly remarks, "Banks are the institutions whose debts usually referred to as bank deposit are commonly accepted in final settlement of other people's debts. The transfer of a bank deposit form one person to another by handing over a cheque is common method of payment.

¹. Vaidya S. "*Banking Management*" Monitor Nepal, 1999 p. 18

² Ibid, p 18

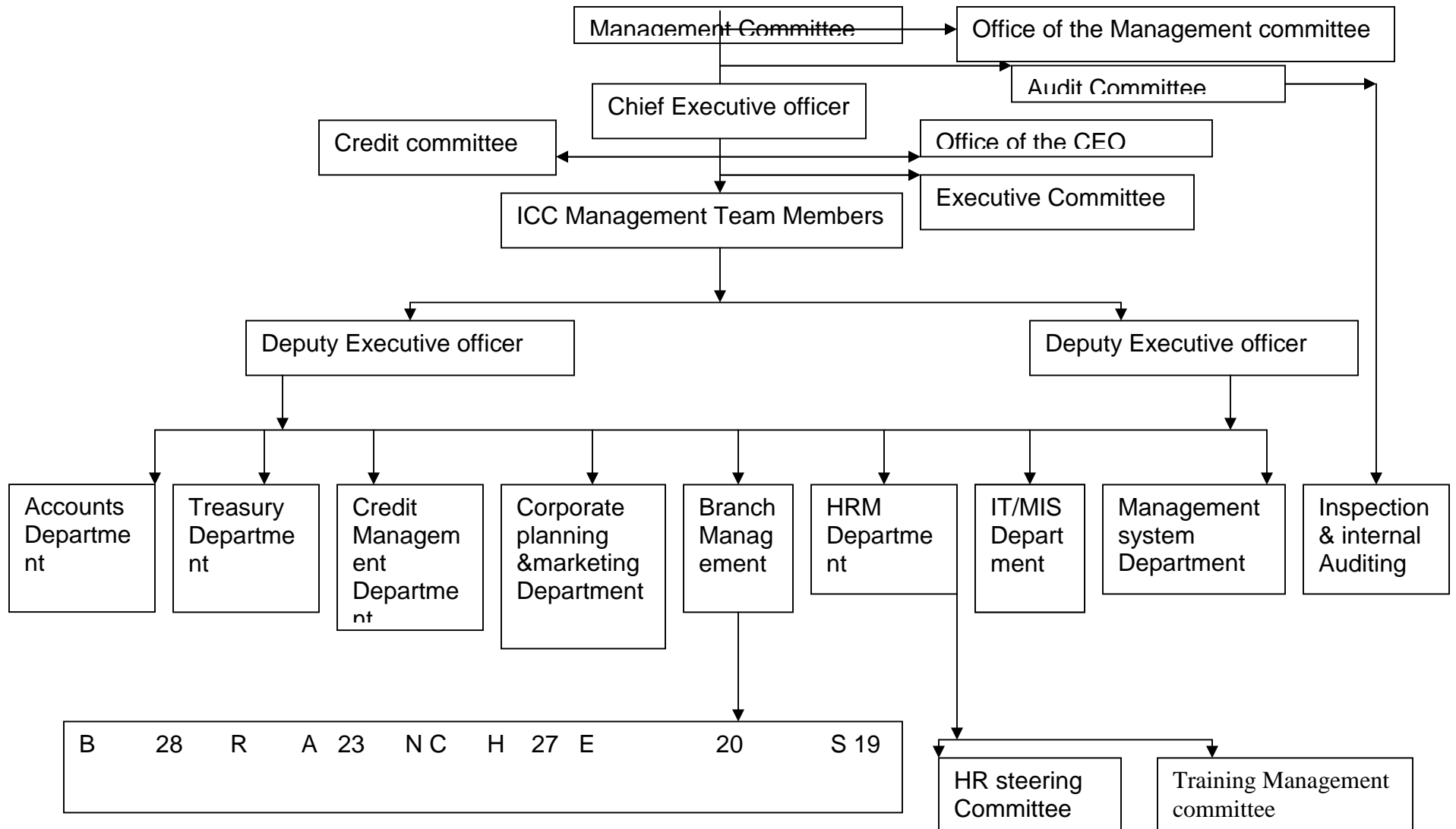
1.1.2 **Organizational structure of Nepal Bank Ltd.**

Nepal Bank Ltd. was established in the stage of semi- government organization with a major capital of only Rs 842000/- and its 51% of share capital owned by the government where as 49% of shares belong to the public sector. As these government hold the main power of the board also concentrated in the hands of government representatives.

Nepal Bank Ltd has a board of directors consisting of nine members and the chairman is chosen from the group among nine members four are nominated by His Majesty's Government from the various department of ministries mostly the full phased secretaries of different ministries comes to the board as directors sometime even the joint secretaries have been representing the government. Their terms of office are not fixed they remain on their post so long as they are not transferred from one ministry to another. Out of remaining five members of the board, one is from Nepal Rastra Bank (The central Bank of Country), which shows the indirect control over the commercial bank. His tenure is supposed to be of two years but in practice it not seen. Remaining four directors are elected from the general meeting of shareholders of Nepal Bank. The elected directors remain in their post for eight years and cannot contest another election.

1.1.2.1 Figure of organizational structure of Nepal Bank Ltd

Figure N.1.1



1.1.3 Investment policy

Commercial banks are major financial institutions, which occupy quite important place in the framework of every economy because they provides capital for the development of industry, trade and business and other resource sectors by investing collected deposits. Thus, they contribute to economic growth of nation. Besides this commercial banks render numerous services to their customer in view of facilitating their economic and social life. All the economic activities of each country are greatly influenced by the commercial banking business is that country. In this way, commercial banks have become heart o financial system.

“Commercial banks bring into being the most important ingredient of the money supply demand deposits, through the creation of credit in the form of loan and investment”

Commercial bank also provides the flexibility and mobility to the customer because the payment can be mostly speedily and efficiently carried out. “The commercial bank permitted to accept demand deposits”³

The role of commercial bank in economy is obviously prime requisite in the formulation of banks policy. A key factor in the development in the country is the mobilization of domestic resources and their investment for productive use to the various sectors. To make it more effectively commercial banks formulate sound investment policies, which eventually contribute to the economic growth of a country. The sound policies help commercial banks maximize quality and quantity of investment and there by, achieve the own objective of profit maximization and social welfare.

Investment operation of commercial banks is very risky one. For this, commercial banks have to pay due consideration while formulating investment policy regarding loan and investment. Investment policy is one fact of the overall spectrum of policies that guide banks investment operations. A healthy development of any bank depends heavily upon its investment policy. A good investment policy attracts both borrowers and lenders, which helps to increase the volume and quality of deposits, loan and investment. The loan which is provided by commercial bank

is guided by several principles such as length of time, their purpose, profitability, safety etc. these fundamental principles of commercial investment are fully considered while making investment policy.

The investment policy of the Nepal Bank Ltd closely follows HMG policy. The NBL provides financial assistance to trade and commerce on the basis of their nature and location. In this context, NBL has allocated priority for business sector and primary necessities of poor people as well as needy people the quantum of financial assistance could go up to 60% of the fixed assets and is dependent upon economic and financial merits the trade and business and land & other assets of people. Nepal Bank provides financial assistance in the forms of short-term or working capital loan, Long-term loan, Guarantee arrangement with commercial banks, which provides direct loans to customers and needy people, Bridge gap loan facilities, Guarantee arrangement of supplier's credit in terms of Letter of credit and underwriting share issues of public Ltd Company.

³J. Whitney Hanks and Ronald Sucki "A study on investment policy" 1980, P159

1.1.4 Loan Maturity and Method of Repayment

Term loan may be granted for a maximums period of 15 year depending on the nature and debt servicing ability of the trade & commerce. Interest and principal dues are payable in semi-annual installments. A grace period for repayment of principal is granted on the basis of time required for the trade & commerce to come into operation.

Short-term loan may be granted for the period of 3 to 6 months.

Middle-term loan may be granted for up to 3 years.

Long-term loan may be granted for up to 15 years

The following policy is adopted regarding the repayment of principal and interest by the borrower.

- a) Payment of interest dues by the end of Ashad (mid-June) and end of poush (mid-January) of every year. In the failure of above the interest charged on Ashad and

poush will automatically be capitalized after one month i.e. on Bhardra and falgun and the capitalized after interest will carry the same interest rates as on the prevailing loan.

b) Repayment of principal installment on any two quarterly dates of the following

)End of chaitra(mid-April)

)End of Ashad(mid-July)

)End of Aswin(mid-October)

)End of Poush(mid-January)

Payment made by the traders and creditors will first is adjusted against fine, interest and finally principal dues in that order.

1.1.5 Security

Client's fixed assets in land, building, machinery and equipment and other valuable things are to be mortgaged with NBL as security against NBL's term loan. NBL reserves the rights of evaluate all fixed assets offered by the client as security. NBL does not grant any loan against hypothecation or pledge of raw material goods in process and finished products but NBL granted loan to movable assets then NBL also ask collateral security. For working capital loan the client has to mortgage extra collateral security in the form of land and building or banks fixed deposit worth two hundred percentage of the bank loan amount. If the value of security pledge the client is inadequate or insufficient to cover the loan, then NBL may ask for additional security or guarantee of a third party.

1.1.6 Rate of interest

NBL gives the rate of interest as follows:-

Table N:-1.1

Deposits Annual Interest Rate (%)			
S.No.	Deposit Type	Duration	Rate
1	Saving Deposit		2%

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2	Fixed Deposit	1 Month	3%
		3 Month	3.25%
		6 month	3.5%
		1 Year	5%
		2 Year	6%
		3-5 Year	7%
3	Special Fixed Deposit (Fixed Deposits if amount is greater than 10 Lakhs)	1 Year	5%
4	Prime Fixed Deposit (Fixed Deposit if amount is greater than 3 corer)	1 Year	5.50%
5	Corporate Fixed Deposit (Fixed Deposit if amount is greater than 5 corer)	1 Year	6%

NBL takes interest on Loan and Advance as follows: -

Table N:-1.2

Lending Rates		
1	Gold and Silver	10.50%
2	Loan against mortgage of Government Securities	
3	Loan against Fixed Deposit Receipt (Loan + Overdraft)	6% or 1.5% higher than F/D rate whichever is higher
4	Loan against Bank Guarantee (First Class Bank)	8.5%
5	Working Capital/Short Term Loan (Demand Loan, Overdraft, Pledge Loan)	10%
6	Export Loan	
7	T.R. Loan	
	a) Up to 90 Days	8%
	b) From 91 Days to 120 Days	9%
	c) From 121 Days to 150 Days	10%
	d) From 151 Days to 180 Days	11%

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	(T.R loan facility will be up to 180 only)	
8	Long Term Loan	10%
9	Consumer Lending	7.5% to 10%
	a) Margin Lending*	10-11.50%
	b) Auto Loan*	9.00% to 11.00%
	c) Home Loan	9.5% to 11.5%
	c) Educational Loan	9.5% (upto 5 years) 10% (upto 10 years)
10	Structure Demand Loan	8.5%
11	Priority Sector Loan	7.5%
12	Deprived Sector Loan	9%
	(USD denominated pre-shipment and post-shipment loan extended as per NRB circular)	
13	No. Bai. Bya. Pari. 79/58 for exporters who gain export earning in convertible foreign currencies	6%
14	Personal Overdraft Loan * Personal Term Loan	10-12% 9.5% pa (upto 5 years) 10.5% pa (upto 10 years) 11% pa (upto 15 years) 12% pa (upto 20 years)

1.1.7 Financial Procedures

The prospective borrower should out information as provided in the INQUIRY SHEET which is available free of charge at trade & business promotion and service division of NBL. These NBL's Regional objects are at Kathmandu, Pokhara, Biratnagar, Birgunj and Nepalgunj.

The duly filled our inquiry sheet will be processed and them refereed to an internal loan screening committee for review over the desirability of the business and needy person in the context of established national priorities and NBL'S financial policy. Inquiry sheet may request the prospective borrower to submit feasibility reports detail supplementary reports on markets technology raw material etc. in order to facilitate the committee to give a quick decision on the proposal. The meeting of the committee is held as per need. Information on the acceptance or rejection to promote the business and related division of NBL will send trade as soon as possible to the applicant. If accepted, the applicant will be advised to fill the formal LOAN application form for the financial assistance. Related division of NBL will help the needy people & trade in filling the form, if necessary. At the time of formal loan application registration in NBL, the borrower has not payment of any fee. After the receipt of the formal loan application, the related division of NBL will forward the application form to the Loan division. At there are two departments, which is related with the loan investment and market planning i.e. Credit management department and Corporate planning and marketing Department respectively.

The Credit Management & Corporate planning and marketing Department may study division of NBL, which has had special study in certain areas. This division provides necessary services to the needy people and trader in the field of technical financial and managerial consultancy. The division will appraise the plan of trader and needy people in the light of the information given by the application. In course of appraisal they will contract the applicant for additional information and will also under take field visit for the evaluation of information given by the application.

The above-mentioned studies make clear that if the concerned division finds the transaction, which is profitable then recommendation with appraisal report and will be submitted for deliberation and final decision to the appropriate authority through the internal loan investment committee or Credit Management Department for approvals.

After the loan documentation the borrower will have to contact the concerned division for the implementation of the approved financial assistance. The borrower will be required to execute the financial assistance agreement with NBL within advised dates of issue approval letter, if failing the approval is automatically cancelled.

1.1.8 Functions of Nepal Bank Limited

Bank on almost all developing countries including Nepal continued to act as the leading institutional vehicle of national development. In historical perspective, Nepal Bank Ltd is the bank of bank in Nepal since it has contributed a lot in one way or the other to enhancement of national development. For the development of nation the NBL is collecting, allocating and mobilizing the saving and investment in productive national activities. Nepal Bank Ltd. Performs a number of function courses of its daily operation. Some of the important ones are briefly explained below.

1.1.8.1 To accept Deposit

The individuals and institutions earn incomes. They may make saving out of their income such saving when remain in their hand become idle and nonproductive. But commercial banks collect the all spread saving by accepting in terms of deposit under the different accounts like current account, saving account, fixed deposit account which are discussed in short as follows:

1.1.8.1.1 Current Account

An account opened by a commercial bank on the name of its customer under which any amount of money can be made out of deposit within office hours of the bank can be termed a current account. The individual and institution that need to deposit and

withdraw the amount of money frequently and regularly can open and operate this of account. Generally, there is not any restriction upon the number and amount of deposits & number amount of withdrawals to be made. The minimum amount required for opening the account and minimum balances to be maintained may vary from bank to other and also time-to-time. As the amount payable, any time when demanded, the bank cannot make investment out of the amount of this account. So bank does not allow any amount of interest to the accountholder for deposit. This account is suitable for businessman, government office, business organization or who have more cash transaction. The accountholder at the time of opening such account obtains a chequebook along with a passbook. Chequebook should be issued by accountholder for the withdraw of amount of cash from this account. This account is also known as demand deposit because deposited amount should be paid to the customer, when demanded.

1.1.8.1.2 Saving Account

Some people have a small amount of earning. They may be interested to save out of this regularly. They cannot save this amount at their homes. Moreover, it is signification in amount so, it may be spend instead of saving and their objectives cannot be served immediately with this amount. To facilitate them bank has managed an account under which they can deposit their saving even in a smaller amount. It motivates them to save and promotes the habit of saving among the low and middle class people. This kind of bank account is termed as saving account. Generally, one can deposit any amount of money any time during the banking hours. But there is a restriction imposed upon the number and withdrawals. Therefore, the restriction of number and amount of withdrawal increases the saving of accountholder. However one may withdraw an amount, excess of specified limit with the help of a notice to the bank in advance as per the existing rules of the bank. Under this account customer gets 2.5% pa interest on deposit amount but bank is lable to give interest upto 50 lakhs deposit. The accountholder in this case also should deposit a specified amount as opening amount to open this account.

1.1.8.1.3 Fixed Deposit Account

An account under which a fixed amount of money is deposited in a bank at certain rate of interest for specified period may know as fixed deposit account. When, this type of account is opened accountholder gets a fixed deposit card. Generally, one cannot withdraw amount of cash before the expiry of the period fixed under this account. However, one can obtain a loan against the fixed deposit but the accountholder has to **1.5%** higher interest than that of the interest allowed.

1.1.8.2 To Grant Loans

Granting loans is another important function of a Nepal bank Ltd. The bank grants loans to the needy individuals and institutions against the security of valuable articles (Gold, silver, stock of goods, ownership certificates of land and building, share certificates, Bill of exchange etc.) for the period short term or mid-term not exceeding the limit as approved and recommended by the board of director. It also charges interest to the customers on the loans advanced to them. The rate of interest it charges generally becomes a little high than the interest allowed to the depositor. It advanced loan to the individuals, institutions and some various firms in terms of Loans, advances cash credit, overdraft, discounting of bills money at call and short notice etc. the commercial bank earns income in terms of interest on loans granted to the customers.

1.1.8.3 To Transfer Money

Nepal bank Ltd transfer money from one place to another by using different banking means of payment. It issues bank draft, T.C. etc. for this purpose. It can transfer money to foreign country also. T.C (traveler cheque) is one of instrument of remittance money from one place to another. This is issued by bank for the convenience of that person who is going to travel from one place to another. Nepal Bank Ltd has network for this cheque so customer can easily convert in cash, when they required. In respect of issuing this instrument bank charges some service charge from the customer. Draft is an other instrument, which is issued by bank for transfer of money from one place to another. It is also known as Hundi and NBL chargers 0.15% to 1% or 100 to 150 whichever is higher.

1.1.9 Authority to Loan Approval manager level

Table N.1.3

S.N.	Title	Each party	Net Limit
1	Mortgage loan, imports (except free margin and open godown)	Rs. 10.0 Lakh	Rs. 3.0 crores
2	Trust receipt/ hypothecation	Rs. 7.5 Lakh	Rs.1.5 crores
3	Pre-export or L.B.S.	Rs.5.0 Lakh	Rs.1.5 crores
4	Contract loan	Rs.2.5 Lakh	Rs.75.0 Lakh
5	In hire purchase truck, bus, Small bus, tipper, loader, Dumfer, tourism van, jeep	1 PCS. Cotation amount of 70%	Rs. 1.0 crores
6	Fixed assets/ Revolving Current capital of loan	Rs. 7.5 Lakh	1.875crores
7	L.c./ Guarantee (Bid of Performance)	Rs.25.0 Lakh	Rs. 7.5 crores
8	By all types of facility each Party, firm/ company firm/ Company net funded Net non-funded	Rs. 25.0 Lakh Rs. 25.0 Lakh	Rs. 12.5 Lakh Rs.12.5 Lakh

1.1.10 Management

Although Nepal Bank Ltd is a first commercial bank of Nepal, now its management is under the contract. The situation created by the ill management of NBL. In 2053, the NBL had distributed 45% bonus to the staffs, which shows that the overall performance of bank was good but it was not real. Some of shareholder, who had good percentage in share, wants to leave the share so they arranged such environment and gave bonus to staff. This leads to increase the value of share. But when Nepal Rastra Bank comes know these situations, then NRB appointed an organization, which is International Financial

Measurement Center. And gives right to observe the problem of NBL. The organization had gave the survey report which shows that the economy condition of bank is very bad and staffs are not follow the bank's rules. But the other stakeholders of this bank were not satisfied with the statement. So, NRB again appointed CB PASS and the organization analyzed the report of KPMG and statement of stakeholders. The organization gives the final report, which shows that the bank has 50% bad debt assets. After this report, in 2059 NRB takeover the management of NBL and announce tender for gives the management contract. For contract, 55 National and International organization put the tender but according to tender policy, a company Bank of Scotland (Ireland) ICC Management Team had mentioned Rs. 38 errors per years, which is low than others and selected for this management contract. The contract is given for two years from 31/3/ 2059 to 1/4/ 2061 consisting the main objective to establishment of healthy management. But the ICCMT cannot achieve the objective within this period of contract so World Bank forced to reduce the cost of contract. And now the contract is extended to 31/3/2062 at 32 errors per year. These are the main point which obtained by the new management:-

- * Loss is reduced by 90%.
- * Expenses are reduced by 14%.
- * Rs. 49000 lakhs bad debt loan recovered by bank.
- * Application of new Loan and Distribution policy.
- * The work of computerization is started in 44 branches.
- * Prepared for new internal auditing procedure.
- * 1472 staffs give voluntary retirement.
- * For the development of skill of staff, bank started to gives the training and development.

1.1.11 Competitor of Nepal Bank Ltd.

By nature of Nepalese commercial banks can be classified into two categories VIZ. domestic commercial banks and commercial banks with foreign collaboration. The commercial banks with foreign collaboration are also called joint venture banks. Joint venture bank is a general model for foreign direct investment. Joint venture means joining of forces between two and more enterprises for the purpose of carrying out a specific operation. After the 2040 B.S., through the commercial act 2031, these joint

venture and domestic banks are started to open in Nepal. And, now the no. of these banks is reached to 17, which creates the more competition among these banks. So NBL have to compete with these joint venture and domestic banks are as follows:-

1.1.11.1 Rastriya Barijya Bank

With view to provide the integrated and smooth development of economy, the requirement of another commercial bank was felt. The private sector seemed to be unwilling in the establishment of such institution. The government of Nepal then under its sole ownership gave birth to RBB. With objectives to canalized the available idle and spread fund in the country to productive sectors. RBB was formed in the year 2022magh 10th under Rastriya banijya act2021. It started with authorized capital of 10 million. This bank exists in almost all districts of Nepal. Earlier there were 213 branches of RBB allover the kingdom but now confined to 138 due to Maoist. It performs all the commercial activities whether it is accepting deposit, lending credit, issuing letter of credit or underwriting the shares of other organizations. This bank is main competitor of NBL.

1.1.11.2 Nabil Bank Ltd

This bank is the first bank opened in Nepal with foreign collaboration in Ashad 29, 2041. The bank has paid-up capital 4917 lakhs with 50% share of NB International. The main objective of this bank is to increase the foreign trade, standard banking service & facilities and provide banking service in that area, where National bank can't provide service. Now, this bank is providing service to Nepalese people through 29 branches. This bank is renamed by NABIL bank.

1.1.11.3 Nepal Investment Bank Ltd

This bank is the second bank, which is established in Nepal with foreign investment, in 16 falgun, 2042 BS. This bank is opened with 50% investment of French Indoswas Bank Ltd. But after the sale of whole share by FIB to Nepalese promoter, the bank became fully Nepalese domestic bank. The bank has Rs. 2953 Lakhs paid-up capital with 50%

Nepalese promoter, 15% Rastriya Barijya bank, 15% National insurance corporation and 20% general public. This bank is providing service through 24 branches.

1.1.11.4 Nepal Standard Chartered Bank

This bank established with 50% share of Grendlesh Bank of London, 15% share of general public and 35% share of Nepal Bank Ltd in 16 Margh, 2043 BS. The bank has Rs. 3395 Lakhs paid-up capital and higher share price in stock market. This bank is providing service through 26 Branches.

1.1.11.5 Himalayan Bank Ltd

This bank is running with 80% share of Nepalese investor and 20% share of Habib Bank of Pakistan, since 5 Margh, 2049 BS. This bank has Rs. 4290 lakhs paid-up capital and providing service to Nepalese people through 27 branches.

1.1.11.6 Nepal SBI Bank Ltd

This bank is established with the 30% share of general Nepalese public, 15% share of Employees' provided fund, 5% share of Agriculture Development Bank and 50% share of State Bank of India in 23 Asardh, 2050 BS. And the No. of branches of this bank is reached to 25.

1.1.11.7 Nepal Bangladesh Bank Ltd

This bank is providing service to Nepalese people since 23 Jestha, 2051. And has share capital 30% of Nepalese general public, 1.25% Nepal Sri lanka merchant bank Ltd, 18.75% of Nepalese investor and 50% share of International Finance investment and Commercial bank of Bangladesh. This bank has Rs. 3599 Lakhs paid-up capital and 19 branches in Nepalese market.

1.1.11.8 Everest Bank Ltd

This bank was established in 1st Kartik 2051 with the 30% share of Nepalese general public, 50% share of Nepalese investor and 20% share of Bank of India, Punjab. In this

more capital is invested by the Nepalese people. And this bank is providing service through 25 branches.

1.1.11.9 Bank of Kathmandu Ltd

This bank is established in 28 falgun, 2051 BS with the 25% share of Nepalese public, 45% share of Nepalese investor and 35% share of Sillion commercial bank of Thailand. But now this bank is fully owned by Nepalese people, after purchase of 30% share of foreign investor. And this bank has 21 branches.

1.1.11.10 Nepal Credit and Commerce Bank Ltd

This bank is providing service to Nepalese people through 15 branches and established in 2053 BS with Nepalese investment. This is domestic commercial bank has share capital of 30% share of general public, 1% share of Nepal Bangladesh bank Ltd, 8.2% share of Nepal Insurance company and 60.8% share of Nepalese investor.

1.1.11.11 Lumbini Bank Ltd.

This is also a domestic commercial bank has capital structure of 30% share of Nepalese people, 14% share of Employees' provident Fund, 6% share of Citizen Investment Trust, 7% Lalitpur Finance Company, 2% share of NEFINSCO and 41% Nepalese Investor. The paid-up capital of this bank is 3500 Lakhs and has 15 branches.

1.1.11.12 Nepal Industrial and Commercial Bank Ltd

The capital structure of this bank 30% of share of Nepalese public, 5% share of Rastriya Branijya Bank and 65% share of Nepalese investor show that this bank is also a domestic commercial bank. This bank is established is established in 5th Sawan 2055 BS and providing service to Nepalese people through 14 branches.

1.1.11.13 Machha Puchchhre Bank Ltd

This bank is owned by Nepalese people. So it is also a domestic commercial bank, which is established at Pokhara as Head office in 2057 BS. The paid-up capital of this bank is

Rs. 5442 Lakhs inside 35% share of general public and 65% share of Nepalese Investor. The bank is providing service to people through 19 branches.

1.1.11.14 Kumari Bank Ltd

This is established in 2056 BS. But Banking activities are started from 21st chaitra 2057 BS. As domestic commercial bank, the share capital of this bank is owned by Nepalese people. This bank has 3500 Lakhs paid-up capital inside 30% share of general public and 70% share Nepalese Investor. This bank is providing service to people through 21 branches.

1.1.11.15 Laxmi Bank Ltd.

This bank established through 35% share of general public, 10% share of Citizen Investment Trust and 55% share of Nepalese Investor in 2058 BS. And this bank started its work from 21st chaitra 2058 BS. The paid-up capital of this bank is Rs. 3300 Lakhs. And has 23 branches.

1.1.11.16 Sidhratha Bank Ltd

The paid-up capital of this bank is Rs. 3500 Lakhs inside 40% share owned by general public and 60% share by Nepalese Investor. So it is also domestic commercial bank. This bank established in 2058 BS but banking activities are started only by 2059 and has 16 branches.

Form the above explanation it is clear that Nepal Bank Ltd has competition with one government owned commercial bank, six joint venture banks and nine domestic commercial bank. But, due to NBL is first bank of Nepal, branches are spread all over the nation and people also has good faith on this bank. So, this bank has only to adopt the new technology for compete with these banks.

1.2 Statement of the problem

No country can be economically sound in the third world unless the majority of the rural people become economically strong. The main characteristics of less development countries are the most dependence upon commercial occupation. The same problem we

are facing now, to improve this conditions, the mass of the people, government is trying to strengthen the credit institution many of the credit programs are to be discontinued due to non-repayment of the loans. Therefore, it has become the main importance to identify the loan disbursement and realization position of Nepal Bank Limited sub-branch Janakpur and also tries to find out the effect of new management for realization of NPA.

Credit institutions faced with a poor repayment performance because a loss of liquidity since capital is scarce in less developed countries than is more developed countries. Such credits institutions also suffer the additional cost involved in loan disbursement and realization activities, which drawn the attention of the World Bank. The World Bank has trying to strengthen institutions with in the borrowing countries. Its main concern has been to ensure financial validity of the loan disbursement financial institution. Most of the credit institution has failed to continue with their programs due to financial problems. Financial institution's functions are heavily dependent on annual appropriations from government. Realization of loan is not only very important for the success of the financial institutions but equally important to the bank sector. Disbursed loan must be collected on time. So a proper inquiry has to be made for identify its disbursement and realization of its loan. The goal and mission of the organization are said to be fulfilled when loan disbursement and realization term. On the contrary, if loan realization is not encouraging, the institution may fail and it may be difficult to accept purposely of financing new process to operate in other area. If new proposed could not be accepted it could affect the financial institution for development of the country. Higher turnover of loan disbursement and realization indicates higher efficiency of management.

1.3 Objectives of the study

- 1) To find out the position of loan disbursement and Realization.
- 2) Identify the current management effects for collection of NPA or not.
- 3) To analyze the cost of fund.
- 4) To analyze percentage of interest amount in respect of Total income.
- 5) Interest of Loan is benefited to particular branch or not.

1.4 Hypothesis of the study

H_{01} : $\bar{d} = 0$, i.e. there is no difference between the target and actual loan disbursement.

H_{A1} : $\bar{d} < 0$ (Left tailed test), i.e. the actual disbursement is more than target disbursement.

H_{02} : $\bar{d} = 0$, i.e. there is no difference between the target and actual loan realization.

H_{A2} : $\bar{d} > 0$ (Right tailed test), i.e. the actual realization is less than target realization.

H_{03} : $\bar{d} = 0$, i.e. there is no difference between the target and actual realization of NPA.

H_{A3} : $\bar{d} < 0$ (Left tailed test), i.e. the actual realization of NPA is more than target.

H_{04} : $\mu = 2\%$, i.e. the cost of fund is equal to 2% for this branch.

H_{A4} : $\mu < 2\%$, i.e. the population cost of fund is less than the cost of fund of this branch.

1.5 Limitation of the study

- 1) Some secondary data is analyzed to interpret result emerging from decision consequently the result depend on reliability of secondary data.
- 2) The study period covers only for five years.
- 3) The study is only for partial fulfillment of MBA program
- 4) This study is only a case study; hence the conclusion drawn from the study does not ensure wide applicability in Bank.
- 5) Limited resources and time did not allow a much more extensive analysis of the subjects in question.

1.6 Organization of the Study

Chapter-One: Introduction

The first chapter 'Introduction' incorporates general background of the study, statement of the problem, and objectives of the study, limitation of the study, research methodology and organization of the study.

Chapter- Two: Literature Review

The present chapter includes to conceptual framework, need for a loan policy, willful defaulters of NBL, risk faced by FI and document needed for loan approval. And review of earlier researcher in the relevant area.

Chapter- Three: Research Methodology

The chapter deals with the methodology adopted in carrying out the research. It includes research design, population and sample, data collection and procedure, nature and sources of data, tools for data analysis.

Chapter- Four: Presentation and Analysis of Data

This chapter deals with the presentation and analysis of relevant data and information. In the process, various analytical tools are used analyses interpret the result.

Chapter- Five: Summary, Conclusim and Recommendation

Major findings and recommendation is the final chapter of the research. The chapter has been summarized the whole spectrum of the study and offer recommendation for the improvement in future.

A bibliography, appendices and a vitae sheet has also been incorporated at the end of the research report.

CHAPTER-TWO

REVIEW OF LITERATURE

This section focuses on the review of literature relevant to the Loan distribution and Realization policy of Nepal Bank Ltd. For this utilized the library of Management Campus, Purbanchal University, personal interview of staff of NBL and library of Post-graduate Campus, TU in Biratnagar and review the conceptual framework given by different authors, research scholars is received from the books, research papers, annual report and news letter issued by NBL.

2.1 Conceptual framework

Banks are such types of institutions, which deal in money and substitute for money. The most essential and important thing for bank is its good circulation of credit fluctuation in the flow of credit and weak decision harms the whole economy and the bank as well. Thus to collect fund effectively and its well utilization is very challenging task for the bank. The decision of loan distribution may be the question of life and death for the bank.

“Commercial bank is the corporation which accepts demand deposits subject to check and makes short-term loans to business enterprises regardless of the scope of its other sources.”⁴ Nepal Bank Ltd including commercial banks are designed primarily to finance the production, distribution and sale of goods that is to lend short-term funds, as distinguished from the service of lending long-term or capital funds.

“An organization which exchanges money, deposits money, accepts deposits, grant loans and performs commercial banking functions and which is not a bank meant for co-operative, agriculture, industries or for such specific purpose.”⁵ these facts show that the commercial banking system of the nation is important to the functioning of our economy.

⁴American Institution of Banking “*Principal of Banking Operation*” USA 1992, p 345

⁵Commercial Bank Act 2031B.S.

“The name commercial bank was first and to indicate that the loans extended were short term loans to business, though loans later were extended to consumers, governments, and other non-business institutions as well. In general, the assets of commercial banks tend to be more liquid and carry less risk than the assets held by other financial intermediaries.”⁶

The term full service banking has been promoted in recent years as a more description term because of the diversification of commercial banks in to many operations other than commercial lending, including consumer banking; mortgage banking saving, banking; commercial sales, financing and factoring; international banking and foreign exchange; underwriting and trading US government and state and municipal obligations, travel service, travelers checks, money orders and so forth.⁷

Dr. Sunity Shrestha, in her book, “portfolio behavior of commercial banks in Nepal” said, “The commercial banks fulfill the credit needs of various sector o the economy including agriculture, industry, commercial and social service sectors. The lending policy of commercial banks is based on, the profit maximizing of the institution as well as the economic enhancement of the country.”

⁶ the new encyclopedia Britannica, USA, 1991 Vol. 3, P 489

⁷ Woelfel, C.J. “*Encyclopedia of Banking and finance*” 10th Edition, P 223

2.1.1 Need for a Loan Policy

While lending decisions are crucial for the bank, it is neither feasible nor desirable for the top management to review and clear every single loan proposal that the -bank receives. This arises not only due to the process involved in such an activity but also due to the numbers. Furthermore, for most of the loan proposals, whichever industry they may belong to, the modus operandi remains the same - analyzing, selecting, sanctioning and monitoring. Hence, the, top management needs to set the standards. Standards relating to the exposure limits for individual / company / industry, credit quality of the borrowers, lending rate, risk level, etc. enable decentralized decision-making by the lending officers.

To enable such decision-making, there should actually be a policy document that carefully specifies the dos and don'ts while sanctioning the loan proposals. As loan proposals differ widely from each other, there cannot be a strict methodology for accepting or rejecting the proposals. Instead, guidelines can be given within the loan policy for the decision makers to enable them to screen out loans, which can be outrightly rejected, loans that can be sanctioned without any involvement of the top management and proposals that require a certain amount of top-level decision-making. Discussed below are a few considerations that the loan policy may address.

2.1.1.1 Components of a Loan Policy

When a bank is developing its loan policy, there will be certain significant issues, which it needs to incorporate in the policy. Discussed below are a few considerations that the loan policy may address.

2.1.1.1.1 Loan Objectives

The first step to framing a loan policy is formulating the objectives of the lending activity. Due to the presence of multifarious objectives like profitability, liquidity, volume of business, risk levels, etc. there will be prioritization of objectives while drafting the policy. But due to certain conflicting situations, reconciliation/trade-off between different objectives may become necessary.

2.1.1.1.2 Volume and Mix of Loans

The policy should specify the targeted composition of the loan portfolio, such composition being in terms of industry/ location/size/ interest rate/security. Decisions regarding the loan portfolio will depend on the size of the bank.

2.1.1.1.3 Geographical Spread

There will be various locations from where a bank conducts its operations. Of these locations, some may be weak credit demand areas with a considerably high deposit potential and vice versa. While operating in any area, the bank should have the requisite funds and expertise to meet the credit demands. The policy should thus, state the key

trade areas of the bank for extending credit. Further, within the trade areas, there may be certain areas with a primary focus and a few others, which may be given the secondary focus. Such a classification may also enable the bank to switch on to the secondary trade areas when the chief trade areas are not active.

2.1.1.1.4 Loan Evaluation Procedures

The policy document shall specify a process for evaluation of loan proposals, which will enable uniform evaluation across areas/people. Evaluation involves a careful selection of the borrowers by understanding their creditworthiness. While evaluating the proposal, banks should not only assess the ability of the client to payback the loan but also their willingness to repay. Banks need to consider the following variables while evaluating a loan proposal:

2.1.1.1.4.1 Industry Prospects

To study the prospects of the industry, an industry level credit analysis needs to be performed which most importantly includes a study of the following:

- Industry cycles
- Threat from substitutes
- Shifts in consumer demands
- Regulatory environment

2.1.1.1.4.2 Operational Efficiency

The company level credit rating is conducted to assess the operational efficiency of the client company. The critical aspects that are to be evaluated in this process fall into the following categories:

- Operating margins
- Stability and growth of market share
- Access to key raw materials
- Benefit from economies of scale

2.1.1.1.4.3 Financial Efficiency

Repayment of the loan by the clients depends greatly on their financial soundness. Hence, financial analysis becomes an imperative part of credit risk analysis. It includes an analysis of the following:

- Financial leverage
- Coverage ratios
- Cost of capital
- Ability to raise funds
- Working capital management
- Interest rate risk management

2.1.1.1.4.4 Management Evaluation

While the above mentioned factors assess the ability of the client to repay, the management evaluation to a certain extent, throws light on the willingness of the client to repay. Thus, evaluation of management includes a study on the performance of the promoter, top management and also the performance of group companies under the same management.

2.1.1.1.4.5 Fundamental Analysis

Here, the fundamental factors that influence the working of the client company are analyzed. These factors are listed below:

- Capital structure
- Asset/liability position. Asset quality
- Profitability
- Sensitivity to interest rate structures, tax policies, etc.

Above is the broad classification of the various parameters used to evaluate a loan proposal. The parameters used for evaluating will vary depending on the type of the borrower, the nature of the project and the purpose of funds.

2.1.1.1.5 Loan Administration

Efficient administration is the key to the success of the lending policy. And for improving its efficiency, the authority of the loan executives should be clearly stated as also their responsibilities. The loan policy should state the sanctioning powers of the loan officers regarding the credit limits.

2.1.1.1.6 Credit Files

The details regarding the borrower are not only essential during the loan appraisal time but they are also required throughout the tenor of the loan. This is essential especially since there may always be a probability of default or a change in the risk-return profile of the customer. Continuous evaluation is possible with the help of a credit file, which keeps track of the historical record of the borrower.

2.1.1.1.7 Lending Rates

The interest charged should reflect the credit risk present in the credit disbursement. The major issue will thus be to adjust the rate charged to the risk perception. For this, the loans can be classified into different risk groups based on the risk involved. Given below are some of the other issues/parameters that the loan policy may contain:

- Type and extent of collaterals
- Compensating balances / margin.
- Statutory limits for different types of loans
- Monitoring mechanism
- Loan-Deposit ratio
- Incentive schemes for the loan officers.
- Loan repayment pattern
- Communication practices
- Extension of renewals of past-due installment loans (rescheduling the loan)
- Loan-loss reserves
- Consumer laws and regulations
- Role of credit department
- Role of recovery department

Having drafted the loan policy, adequate measures should also be taken to ensure that the policy is being effectively used in the lending activity. For this, there need to be loan committees, which review the loan policy from time to time and also, assess the performance of the credit departments.

2.2 Willful defaulters of Nepal Bank Limited

⁹Nepal Bank Ltd has been successful in collecting Rs. 517 crore in cash from defaulters since the commencement of the restructuring project. The following is a list of the principle willful defaulters of Nepal Bank who are making no effort to repay their debt and honor their obligations. They are quite prepared to load their debt to the hapless citizen of Nepal. They are in effect economic renegades engaging in commercial terrorism to the detriment of the people of Nepal.

The total debt, including unpaid interest, of defaulters stands at Rs. 2074 core. This amount to a loss to each shareholder of Nepal Bank of Rs. 5453 for each share held. For each citizen of Nepal it amounts to Rs. 896. This remains and intolerable situation and is having a negative effect on the effect on the economy of the Nation and effects every citizen of Nepal. Nepal Bank will continue its endeavors to actively pursue these uncooperative of defaulters until their debts are repaid. (For detail see in appendix-C of willful defaulters of NBL)

⁸ <http://www.rcw.raioniversity.edu/course-mgt-mba-notes.htm>

⁹ “*Business Age*” January 2005, P 65

2.3 25 Things your Boss wants you to know

2.3.1 Forget about excuses

¹⁰With the rare exception, such as truly life-and-death crises, no boss hears or cares why an assignment wasn't done. It's your job to get it done and get it done on time.

2.3.2. Don't aim for perfection

Getting it done well and on time is much more important than doing it "perfectly." To your boss, absolutely perfect performance counts against you if it interferes with your carrying your share.

2.3.3. Simply carrying your share is not enough

Doing only what is expected of you and no more sets you among the expendable mass of performers. Bosses value people who do their job and look around for or create or ask for more real work, not busywork.

2.3.4. Follow through on your own

Pick up the pieces: tie the loose ends of your assignment. Don't wait to be reminded, particularly by a supervisor.

2.3.5 Anticipate problems

Ask yourself what could go wrong? When your responsibilities depend on input from others, check their plans and understanding of what you're requesting. There is no substitute for having your projects come out right.

2.3.6 Be resilient about foul-ups

Part of carrying your responsibilities is understand the commotions, mistakes, "unforeseeable" failures by others are a normal, routine part of work life. When foul-ups occur, no one is picking on you and you can't excuse it as "bad luck" you're supposed to know that Murphy's law-"if something can go wrong, it will and at the worst possible time."

2.3.7 Take care of problems; don't take them to your boss

(Bosses have enough of their own.) if you lack the authority, come prepared with solutions when you broach the problem. Even though your boss may not use your solutions, you've made your point as a problem solver not as a problem collector.

2.3.8 Punctuality counts

No amount of staying late makes up for your not being available when other people need you in order to do their work. And, as a boss, set an example: let your staff know when you'll be late or have to leave early.

2.3.9 Attendance counts

People quickly become aware of who makes an effort to be there and who uses any excuse to miss a day.

2.3.10 Don't be a squeaking wheel

As a daily work style, this approach is self-defeating. Don't be seen as "Here comes a problem."

2.3.11 Don't carry grudges over routine losses

You cannot win them all. Even Babe Ruth, Joe DiMaggio, Hank Aaron and the other? champions were out at bat? Percent of the time.

2.3.12 Choose your battles carefully

To decide if something is worth fighting for, ask yourself: How much difference does this problem really make in my job? Is it permanent or transitory? Is it worth making an enemy (enemies)? And, most important, do I have a realistic chance of winning? Don't be among the astonishing number of people who fling themselves at no-win job situations.

2.3.13 Deal directly with the person who can make the decisions

This is the way to get action (and thus be an effective employee). Dealing with people less authority may be easier on your nerves, but you'll be wasting time and effort. Your most elaborate and smashing presentation may be passed on to the real power reduced to something feeble, such as "Riva thinks we ought to change this procedure." When you're in charge, set-aside time to have your staff, members present their ideas directly to you.

2.3.14 whenever possible, keep control of solving your problem

This is another essential to being effective and valuable. Let's say you need a new machine or some special work done for you. Don't stop with getting approval. If the other person doesn't follow through, you're left looking inept with your explanation of

how John promised to take care of it. Make it happen: “Ok thanks, I will let them know to start on it and what’s involved.” Then do it.

2.3.15 Learn to translate boss language

“If it’s not too much trouble” means “Do it and the sooner the better.”

2.3.16 Learn what other people in the organization are doing

What were last year’s big triumphs and failures? What is being planned? What are the organization’s major goals and fears? How does your job intertwine with all this? Then you’ll understand when, how and where to press for your goals.

2.3.17 Getting along with your co-workers

No boss is ever interested in who is “right” in co-worker squabble. Internal battles mean less production. To your boss, if you’re involved, you’re automatically wrong.

2.3.18 Project the organization’s reputation and privacy

Never discuss organization business and people in detail or by name in a public place where strangers can overhear. Even in private, be reticent about organization politics, problems and business.

2.3.19 Let others win sometimes-even when you have the power “Sounds like a good idea. We’ll do it that way.” If you don’t people will resent you and give you grief.

2.3.20 Learn timing

This often involves developing the patience to wait for an appropriate occasion.

2.3.21 Don’t lie

Nothing is so serious that lying won’t make it lose your credibility. Then you’re dead.

2.3.22 Read your business’s professional and trade publications

Indicating that you haven’t the time or money to read or subscribe will shock your bosses. When they were at your career stage, they were ravenous for trade information. To them, your lack of interest indicates no real career goals on your part. Or worse yet, they may think that you are ignorant of the importance of professional/trade news. Let your staff know which publications apply to your industry.

2.3.23 Get to know your peers in your industry

Be active in one or more professional/trade organizations. The contacts you make and information you glean and you’re on a personal levee whenever you change jobs-while improving your status with your current boss.

2.3.24 Never assume other people are operating from your premises, your standards, your goals, or your rules

When you find yourself thinking,” I never would have expected such behavior from her/him,” you know you’ve made the mistake of projecting your outlook onto other’s behavior. That’s a narrow, problem-generating attitude that irritates bosses.

2.3.25 Use common sense in applying these and all business-behavior rules to your own situations

For instance, the rules of timing and controversy obviate “making waves when you’re brand new on a job. But one MBA, all had word stations while her/his boss had forgotten to prepare one for her/him. The absent-minded boss gave her/his a makeshift table and chair in a supply closet. After a week of vague promises, the MBA decided that this was a situation worth reacting to. New job or not, she/he made some genteel but effective waves and obtained a suitable work setting.

¹⁰Ms. Colleen Booth “*Newspaper of NBL*” Nov-march 2005. pg 5

2.4 Risks of Financial institution

¹¹A major objective of financial institution is to increase the return for its owners. But now a days financial institutions are facing the various risks, which leads to decrease the financial institution’s returns and it is main business of it’s to manage these risks. These are the risks faced by the financial institutions:-

2.4.1 Interest Risk

Assets transformation is the key function of financial institution. They accept deposit for a certain maturity period and lending loan for certain maturity period. That is the accepting and lending maturity doesn’t match, which leads to interest risk. It may be refinancing risk and reinvestment risk.

When the cost of borrowing fund increases over than the interest earned on investment assets is known as re-financing interest risk. For example an FI accepted deposit for one year at 10% interest pa and invested for two years at 11% interest pa. Now at the maturity period of deposit, if rate of interest increases to 12% then

the FI bear the re-financing risk, where FI can't earn profit because at begging they earn 1% but after one-year they bear loss by 1%.

When the return on investment is fall than the cost of fund is known as re-investment risk. For example an FI accepted deposit for two years at 10% interest pa and invested for one year at 11% interest pa. Now at the maturity of the loan, if FI gets that the rate of investment fall to 9%, then FI faced the re-investment risk.

From the above explanation, it is clear that interest risk arises due to mismatch of maturities of liabilities and assets of FI.

2.4.2 Market Risk

Market risk mainly concern with the value at risk of their trading account assets and liabilities for periods as short as one day and is also known as daily earnings at risk, especially if such fluctuations pose a threat to their solvency. In other word, market risk is related to the uncertainty of an FI's earning on its trading portfolio caused by changes in market conditions such as price of an assets, interest rates, market volatility and market liquidity. And arise whenever FI's actively trade assets and liabilities rather than holding them for longer term investment, funding or hedging purposes.

2.4.3 Credit Risk

Financial institutions are special because they accept deposit from savers by proving interest and earn interest through meeting the financial requirement of corporations, individuals and government by lending loan. That is FIs transfer claims of household savers into loans issued to corporations, individuals and government. So, FIs accepted credit risk on these loans for earning sufficient return to cover the cost of fund of savers. And credit risk arises, if borrowers do not pay the lending principle or interest to the FIs. Credit risk may be firm specific credit risk or systematic credit risk. When credit risk arises due to default of some specific borrowing firm is known as firm specific credit risk. And when the credit risk arises due to general economy or macro conditions affecting all borrowers is known as systematic credit risk.

2.4.4 Off-balance sheet Risk

The activities, which doesn't shows by the current balance sheet of FI is known as off-balance sheet activities. Many modern FI has been growth in their off-balance activities for fee earning. And off-balance risk arises due to default made by borrower to payment of investor amount, which is guaranteed by FI. For example, if an FI guarantees of default that company's principle and interest of bond to investor. Then this activity is off-balance sheet, and if the company pays its investor, then there is not any risk for FI. But if, the company fail to pay, then the activities appears in the current balance sheet of FI in liabilities side and FI has to pay to investor from its equity capital.

2.4.5 Technological and operational Risk

Most of FI sell its product through networking of computer system. And the use of these technologies is assumed to decrease the cost of operation, increase profit and capture market for FI. But when technological investment s doesn't produce the cost savings in the form of either economies of scale or scope is known as technological risk.

Operational risk is party related to technology risk and can arises when the technology function or back-office support systems break-down.

2.4.6 Foreign exchange Risk

When FI bear the risk due to change in exchange rate of foreign currency is known as foreign exchange risk. For example if a Nepalese FI hold \$100 in its vault and rate of \$ decreases by Rs.5 per dollar then the FI bears Rs.500 loss is the foreign exchange risk.

2.4.7 Country or Sovereign Risk

A part from foreign exchange and interest rate risk, an FI has to face the country or sovereign risk. If FI invested in bonds and loans of foreign corporations and these investment made default due to interference of government and adverse political reasons is known as country or sovereign risk. If a FI invested in domestic corporation and these corporation unwilling to pay loan, then FI can recoup at least portion of original investment through court but foreign investment can't recoup as domestic investment because if government of the prohibit the debt payment due to shortage of foreign currency. Then FI has to face the country risk.

2.4.8 Liquidity Risk

FI run on the basis of the assumption that all depositors or insurance policyholder does not demand immediate cash at one time. But if more depositor and insurance policyholder demanded cash immediately, which is more than cash fund with FI. Then the FI must either borrow additional fund or sell assets to meet these demand of withdrawal. And if the FI has to sell the assets at lower price than its value is known as liquidity risk.

2.4.9 Insolvency Risk

Insolvency means more liabilities than capital so insolvency risk occurs when the capital or equity resources of an FIs owners are driven to, or near to, zero due to losses incurred as the result of one or more of the of the risks described above.

¹¹Sounder and Cornett “*Financial institution of management*”, MC Graw Hill, New Delhi

2.5 Document required for application of Loan

1. Application with two pieces of passport size picture of borrower.
2. Renew paper of business or industry.
3. Approved paper of income tax.
4. Management rules and regulation of organization.
5. Decision of management for taking loan.
6. Citizenship of borrower.
7. Audited financial statement of last five years, which must be included:-
 - (a) Balance sheet (b) Profit and Loss Account (c) Cash flow statement
8. Proved statement of closing stock.
9. Credit of organization in market.
10. Security for loan:-
 - (a) Fixed Assets (b) Guarantee
11. Evaluation paper of securities done through Bank’s engineer.
12. Analysis of application before approval of loan in the following ways:-

- (a) Merit of customer (b) Possibility of market (c) Risk evaluation
- (d) Business Cycle.

2.6 Review of Related Research Studies

Scientific research must be based on past knowledge. The previous studies can not be ignored because they provide the foundation to the present study. This chapter is devoted to the review of major literature concerning loan disbursement and realization of NBL and other Banks.

This review provides a comparative perspective to evaluate and interpret the significance of one's findings. Literature relating to loan disbursement and realization are reviewed. Due to limited resources and time at the disposal of the researcher only a few major related researches are reviewed.

The analysis is based on five years financial statement and study used the secondary data. They used trend analysis, bar diagram and hypothesis test as tools for analysis in the study. Credit institution faced with a poor repayment performance cause a loss of liquidation of most credit institution. Then, what is position of NBL, Rangeli, Morang, is a main statement of problem of study. To examine the loan disbursement and realization, assess the strength and weakness to perform trend analysis of loan disbursements and realization of NBL of Rangeli. These are the major finding of the study:-

- (a) The loan disbursement of financial assistance provided by NBL, Rangeli, Morang has not been equally distributed in different sector.
- (b) Most of businessmen are concentrated in trading business rather than industrial trade, due to open boarder of neighbor's country. So the Bank and Government has to give more focus on industrialization loan.
- (c) To provide loan efficiently and easily, authority should be decentralized to every level of management.

A Case Study on Loan disbursement and realization of NBL

- (d)** Most of loan approved by NBL of Rangeli, Morang is based on paper work, which shows that without actual study loans are distributed. So loan approval must be based on security and feasibility study of organization or client.
- (e)** I want to suggest lending loan alone can not achieve healthy result. Monitoring the client for utilization of lending loan is more essential things for development of Bank.
- (f)** During the study period, the Bank had realized more than its target in each fiscal year. But the bank has to considered re-schedule of borrower, who is not paying continuously.
- (g)** The NBL, Rangeli, Morang has to make policy for future realization position disbursement of loan is depend upon these realization also.
- (h)** For compete with other commercial bank, the NBL, Rangeli, Morang has to adopt the computerized accounting system.
- (i)** Make easy policy for providing loan to those clients, who is making continuously repayment.
- (j)** The NBL, Rangeli, Morang should modify some investment policy to meet the demand of commercial and traders as well as industrials. The policy should be suitable, easily understandable and simple.
- (K)** The management of NBL, Rangeli, Morang is good for loan disbursement and realization. But the bank has to select qualified personnel for serve to borrower as a consultant.
- (L)** The bank should motivate the needy people by providing effective commercial training as well as technical consultancy service.

- (m) The bank has to arrange the meeting and seminar for borrower with HMG representative about the loan disbursement and realization policy.
- (n) Most of thesis on Agriculture Development Bank of this area had find out that the loan disbursement of this bank is satisfactory but realization is not so good. And recommended to introduce the effective realization and monitoring policy.

CHAPTER-THREE

RESEARCH METHODOLOGY

3 Introductions

Methodology is the research method used to test the hypothesis to achieve the objectives and every research study, specified methods and techniques should be followed which is known as research mythology. Researcher has to collect the information, which is required, evaluated and verify them to reach some conclusions.

Research methodology means the methods, processes tools and techniques which are used in any of the research or investigations till the purpose is accomplished and the aim is achieved.

“Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view.”¹²

“Research methodology is a vital and absolutely indispensable part of social scientific and educational research.....without methodological research, modern social scientific and educational research would still be in the Dark Age.”¹³ Methodology research is controlled investigation of the theoretical and applied aspects of measurement, mathematics and statistics and ways of obtaining and analyzing data. Without methodology research of modern behavioral research would still be in the dark ages. This section focuses on the method of research used in this study. This chapter includes research design, nature and source of data, population and sample, data gathering procedures and instrument, data processing procedure and tools and techniques for analysis. The main aim of the study is to evaluate and analysis the loan disbursement and realization position and effect of new management on realization.

¹² Kothari C.R, “*Quantitative Techniques*” Vikash Publishing House Pvt. Ltd. New Delhi, 1994, p-19

¹³ Kerlinger F.N. (1986) “*Foundations of Behavioral Research*”, surjeet publication New Delhi

3.1 Research Design

A research design is the arrangement of conditions for collection and analysis of data that aims to combine relevance to the research purpose with economy in procedure. Research design is the plan, structure and strategy of investigations conceived so as to obtain the answers of research questions.¹⁴ Research design is a systematic planning, structure and strategy for conducting a particular research work. It provides the framework of the study. To achieve the objectives, the study has collected, evaluated, verified and synthesized past financial information systematically and objectively to reach some conclusions. The procedure for assessing the loan disbursement and realization of NBL (Cigarette Factory Compound, Janakpur) has been based on descriptive research design. The data has been statistically analyzed for the assessment of effect of new management on loan realization.

3.2 Nature and Source of Data

The quality of research is depending upon the information. So information is the lifeblood of any research. To gather the information, data collection is a major task. For achievement of objective of this study, secondary data and other publication of NBL have been used. Research report and other secondary information are basic source of data. Further, the research has also used unstructured questionnaire and discussion, interviewed with the concerned staff of Bank.

3.3 Population and Sample

The term “population” or “universe” for research means all the members of any well-defined class of people, events or objects. Study of a small portion and making conclusion about the large group based on the observation, is the simple meaning of sampling. The large group about which the generalization is made is called the population under study and the small portion on which the study is made is called the sample.¹⁵

¹⁴ Ibid, p-300

¹⁵ Dr.Sunity Shrestha and Dhruva Prasad Silwal “*Statistical Methods in Management*”, publisher Taleju prakashan, p-159

The present study is under taken for period of five years i.e. from fiscal year 62/62 to 2065/66 and on the basis of the study of this period; the position of loan disbursement and realization & effect of new management on loan realization of NBL, (Cigarette Factory Compound, Janakpur) is identified.

3.4 Data Gathering Procedures and Instrument

Secondary data is the main data for this study. These data i.e. balance sheet, loan approval, loan collection and non-performing assets of the Bank has been collected from the NBL located at Janakpurdham in Cigarette Factory Compound. Other necessary data are picked up from various journals issued by head office of NBL.

3.5 Data Processing procedure

For the analysis of data, the collected data is formulated in appropriate form because these data are not suitable for analysis. So first of all, irrelevant data are set aside and relevant are compiled processed in appropriate forms .in this process balance sheet, loan disbursement and realization sector-wise were prepared.

3.6 Tools and Techniques for Analysis

To make rational decisions in keeping with the objectives of the bank , the financial manager must have certain analytical tools. The more useful tools of financial analysis are the subjects of this chapter. The major tools employed for the analysis of this study is the ratio analysis which establishes the quantitative or numerical relationship between two variables of the financial statements. Besides the statistical tools have also been used.

The various tools applied in the study , has been briefly presented below:

3.6.1 Financial Tools:

The financial tools employed in this study basically represents ratio analysis and financial statement analysis.

3.6.1.1 Ratio analysis

Ratio analysis is the powerful tool of financial analysis. Financial ratio represents the relationship between two accounting figures expressed mathematically. Ratio analysis is defined as the systematic use of ratio to interpret the financial statements so that the strengths and weaknesses of a firm as well as its historical performance and current financial condition can be determined. Like other tools of financial management, ratio analysis involves two types of comparison. First it is employed to compare present ratio with past and expected figure ratio for same corporation. Second , the comparison is done to see the difference exist between ratio of one corporation or with industries averages of the same period. The required financial ratios for this study are enable in details as follows:

A. Liquidity Ratio:

Liquidity Ratio measures the ability of the firm to meet its current obligations. These ratios provide in sight into the present cash solvency in the event of adverse financial condition. This ratio is used to measures the company’s short term obligations with short term resources available at the given time.

Thus it is the measurement of speed with which a bank’s assets can be converted into cash to meet deposit with drawl and other obligations.

The following commercially used ratios are evaluated under liquidity ratios.

i. Current Ratio:

This ratio measures the short term solvency i.e. it’s ability to meet short term obligations. As a measure of creditors reuse current assets , it indicates each rupee of CASs available for each rupee of current liability. It is computed by divided current assets by current liabilities.

$$\text{Current ratio} = \frac{\text{current assets}}{\text{Current liability}}$$

Cash normally include loans and advances cash and bank balance. Money at call or short notice, investment in government securities and all other receivables, overdrafts, purchased and discounted and miscellaneous current assets. Similarly, current liabilities

include deposits and other short term loan, bills payable, staff bonus, dividend payable and miscellaneous current liabilities.

The higher the ratio, the greater the ability of the bank to pay its current obligations. The widely accepted standard of current ratio is 2:1 but accurate standard depends on circumstances in case of seasonal business ratio and the nature of business.

ii. Cash and bank balance to total Deposit ratio(excluding fixed deposit):

This ratio is employed to measure whether bank and cash balance is sufficient to cover its currents calls margin including deposits. It is calculated by dividing cash and bank balances in banks by saving and current deposits

This ratio is calculated as =
$$\frac{\text{Cash \& bank balance}}{\text{Deposit (fixed Deposit)}}$$

iii. Cash and Bank balance to current Asset Ratio:

This ratio is calculated to find the ability of banks to pay total calls made on currents deposit. It is computed dividing cash and bank balance by

Current assets as =
$$\frac{\text{cash \& bank balance}}{\text{Currents Assets}}$$

It is hidden fact that the depositors would not with draw the total deposit, in case at a time so the bank keeps a certain margin of cash. This ratio indicates that,if the ratio is higher ,there is higer margin and if lower the banks is less liquid .these resources of the firm but also the uses of various components of total assets.

B. Assets management ratio or Activity ratio

This ratio measures low efficiency the bank manager is using the resources. The following ratios are evaluated under asset management ratio

i. Loan and advances to total deposit ratio:

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The main purpose of this ratio is to find out, how successfully the banks are utilizing their total deposits of loan and advances for generating more profit. Higher ratio implies the better utilization of total deposits. This ratio can be obtained by dividing loan and advances by total deposits, which can be expressed as

Loan and advances

Total deposits

ii. Total investment to total deposit ratio:

This ratio implies the utilization of firm's deposit on investment on government securities and share debentures of other companies and bank. This ratio can be completed as

Total investment.

Total deposits

The numerator consists of investment on government securities, investment on debenture and bonds, shares in subsiding companies, shares in other companies and other investment.

iii. Loan and advance to working fund ratio

Loan and advances is the major component in the total working fund (total asses) which indicates the ability of bank to channelize its deposits in the firm loan and advance to gain high return. This ratio is calculated as:

Loan and advances

Total working fund

Here, the denominator includes all assets of balance sheet item. In other words, this includes current assets ,net fixed assets ,loans for development bank and other miscellaneous assets but excludes off balance sheet items as letter of credit (L.C), letter of grantee etc.

iv. Investment on government securities to total working fund (Total assets) ratio:

This ratio picturize that bank investment on government securities in comparison to the total working fund i.e. Total assets. This ratio is calculated by dividing investment on government securities by total working fund which is presented as:

Investment on government securities

Total working fund.

C. Profitability Ratio

This ratio measures the profitability of a firm provides an incentive to achieve efficiency. Profitability also indicates public acceptance of the product and shows that the firm can produce competitively. Moreover profits provide the money for repaying debt, incurred to finance the project resources for the internal financing requirement. The profitability of a firm can be measured by its profitability ratio. Profitability position of joint venture bank can be evaluated through following ratios:

1) Return on total working fund / total assets (ROF):

Return on total working fund a total assets ratio measures the overall probability. Assets management is very essential and important because of the return on assets will rise if fewer assets are employed and all the required measures of the effective management of working capital apply. A bank has to earn satisfactory return on assets working fund for its survival. The ratio is calculated as:

Net profit

Total working fund

The numerator indicates the portion of left to the internal equities after all costs, charges, expenses have been deducted.

2) Net profit to total deposit ratio:

This ratio is calculated to find out efficiency towards its deposit mobilization. Generally, higher ratio indicates proper utilization of total deposits and vice versa. The ratio can be calculated as:

Net profit

Total deposit

3) Return on loan and advance ratio:

This ratio indicates how efficiency the bank employed its loan advances.

This can be expressed as:

$$\frac{\text{Net profit}}{\text{Loan and advances}}$$

Hence the numerator consists of interest expenses on deposits, loan and advances, borrowing and other deposits.

D. Capital adequacy ratio

The question of capital adequacy lies at the heart of the financial strength, safety and solvency. The ratio is highly applied specially to asses the strength of the capital adequacy of the available capital. The following ratios are selected under capital adequacy ratio.

i. Shareholder's fund to total deposit ratio

This ratio shows how well joint venture banks are maintaining sufficient amount as shareholder's fund in comparison to the amount of total deposits. This can be stated as:

$$\frac{\text{Shareholder's fund}}{\text{Total deposit}}$$

Hence total deposit consists of current deposits saving deposits, fixed deposits and call and other deposits.

ii. Shareholder's fund to total assets ratio:

It is quite essential for every financial institution to have a balance of required percentage of total assets as capital fund. This ratio measures the relative claims of owners of the bank over assets, which can be expressed as:

$$\frac{\text{Shareholder's fund}}{\text{Total assets}}$$

E. Growth ratios

To examine and analyze the expansion and growth of the banks business following growth ratios are calculated and interpreted in this study

A. Growth ratios of liquidity position

- (1) Growth ratio of total deposit
- (2) Growth ratio of loan and advances
- (3) Growth ratio of total investment

B. Growth ratios of profitability position

- (1) Growth ratio of net profit
- (2) Growth ratio of DPS
- (3) Growth ratio of EPS

Growth ratios represent how well the JVBS bank are maintaining their economic position. Under, this, two types of growth ratios i.e, growth ratios of liquidity position and growth ratios of profitability position are calculated. This ratio can be computed by divided the last period (yr) figure by the first period (yr) figure. This can be states as:

$$\text{Growth ratio} = \frac{\text{last year figure}}{\text{First year figure}}$$

3.6.2. Statistical tools

Many statistical tools are often employed in the analysis and interpretation of data as an aid to management and managerial decision, to achieve the objectives of the study some important statistical tools have been used which are as follows:

- a) Arithmetic mean (AM)
- b) Standard deviation (SD)
- c) Co-efficient of variance (CV)
- d) Co-efficient of correlation analysis
- e) Least square linear trend analysis
- f) F –test (variance ratio test)

(A) Arithmetic mean (AM):

The arithmetic mean, often simply referred to as mean, is the total of the values of a set of observations divided by their total number of observations. Thus, if X_1, X_2, \dots, X_N represents the values of N items or observations, the arithmetic mean denoted by \bar{x} is defined as :

$$\bar{X} = \frac{x_1+x_2+\dots+x_n}{N}$$

$$= \frac{\sum X}{N}$$

Where,

$\sum X$ = sum of the observation

N = Number of years

(B) Standard Deviation (SD)

The SD measures absolute dispersion that is scatteredness of the mass of the figures in a series. A small SD means a high degree of uniformity of the observation as well as homogeneity of a series. Just the opposite in this study, SD of the different ratios are calculated. It is defined as the positive square of the deviation of the given observations from the arithmetic mean. Thus, if x_1, x_2, \dots, x_n in a set of n observation , then its standard deviation is given by :-

Sigma =

Where $\sum X = 1$, \bar{X} is the AM of the given values

Sigma Denomination of sigma SD

(C) Co-efficient of Variance (CV)

The Co-efficient of Variance is the relative measure of dispersion, comparable across distribution which is defined as the ratio of the standard deviation to means expressed in percent . It is calculated as :-

$$C.V. = \frac{SD * 100}{\bar{X}}$$

d) Co-efficient of Correlation Analysis :-

When the relationship is a quantitative nature , the appropriate statistical tool for discovering the measuring the relationship and expressing it in a brief formula is known as correlation.

Correlation is an analysis of between two or more variables. In the case of highly correlated variable under this topic . Karl person's co- efficient of correlation has been found out the relationship between the following variables :-

1. Co-efficient of correlation between total deposit and investment .
2. Co-efficient of correlation between debt and return
3. Co-efficient of correlation between net profit and total outside assets

Karl Person's co-efficient of correlation is widely used in practice to measure the degree of relationship between two variables. So, the degree of relationship is measured by using following formula :-

- Where, r = The co-efficient of correlation
- $\sum xy$ = The total of production of items in two series.
- $\sum x$ = Total number of x series
- $\sum y$ = Total number of y series
- $\sum x^2$ = The total of the square of the item in x series
- $\sum y^2$ = The total of the square of the item in y series
- N = The No. of items period

(E) Least square linear trend Analysis:

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The straight line trend implies that irrespective of the seasonal and cyclical swings and irregular fluctuations, the trend values increase and decrease by a constant absolute amount “b” per unit of the time. Hence the linear trend values from a series in arithmetic progression, the common difference i.e. being “b” the slope of the trend line.

To calculate the straight line trend

$$Y = a + bx$$

Where, y = dependent variable

A = constant, which computes y value.

When $x = 0$

$$\text{i.e. } b = \frac{\sum y}{N}$$

b = constant which is changed in y corresponding to the change in x by one unit.

$$\text{i.e. } b = \frac{\sum xy}{\sum x^2}$$

x = t-base year

X unit = 1 year

The constant ‘a’ is simply equal to the mean of y value and constant b gives the rate of change that is the slope of the trend line.

Here, least square linear analyzes the trend of interest paid, interest earned and trend of total assets of the joint venture banks.

(f) F-test (analysis of Variance) :-

F-test is used in such problems where we want to test for the significance of the difference among more than two samples means. In fact, the technique of analysis of variance is one of the most powerful of statistical methods developed by RA Fisher. F-test enables us to test the significance of the difference

between more than two samples means. This technique can be used to conclude whether the regression equation provides significant result or not.

Test of Hypothesis

A hypothesis is a conjectural statement of the relationship between two or more variables. The test of hypothesis discloses the fact whether the difference between the computed statistic and hypothetical parameter is significant. Thus the hypothesis statement should be able to show the relationship between variables and they should at the same time carry clear implications for testing the stated relations.

Hypothesis Test

Null hypothesis H_0 = There is significant difference between net profit and selected JV banks

$$\text{i.e. } \mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5$$

Alternative Hypothesis H_1 = There is significant difference between net profit and selected JV banks

$$\text{i.e. } \mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4 \neq \mu_5$$

Calculating F ratio by two ways classification ANOVA table.

In two ways classification , we study the effect of two factors that is the data are classified according to the two different factors . Thus ,we can classify the net profit between bank in the column and net profit of each banks between periods in the rows .But there may be sampling variations . Besides these, two factors which is called residual variation .

We have , $SST + SSC + SSR = SSE$

Where, SST = Total sum of the square of variations

SSC = Sum of square of variation in column

SSR = Sum of square of variation in rows

SSE = Sum of square as residual due to errors.

The total number of degree of freedom $K.r-1$

Where, K and r refers to columns and rows

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Respectively,

d.f between columns =k-1

d.f between rows =r-1

d.f between residuals =(k-1)(r-1)

ANOVA TABLE

Source of variables	Sum of squares	Degree of freedom	Mean sum of Square	F -ratio
Between columns	SSC	k-1	$\frac{\underline{SC}}{k-1}$	$\frac{\underline{M}}{M}$ $\frac{\underline{SC}}{SE}$
Between rows	SSR	r-1	$\frac{\underline{SR}}{r-1}$	$\frac{\underline{M}}{M}$ $\frac{\underline{SR}}{SE}$
Residual	SSE	(k-1)(r-1)	$\frac{\underline{SSE}}{(k-1)(r-1)}$	
Total	SST	N-1		

CHAPTAE-FOUR

DATA ANALYSIS AND PRESENTATION

Data presentation and analysis is main body of the study for the finding the conclusion and recommendation. So, this chapter deals with presentation and analysis of relevant data, used to analyze and interpret the data for finding relevant objective of this study. This chapter is mainly incorporates measures of position of loan disbursement and realization, effect of current management for realization of NPA and percentage of interest amount in respect of total income and cost of fund of NBL (Janakpur Cigarette Factor, Janakpur).

4.1 Descriptive Analysis

In this section following types of data are presented and analyzed: target and actual loan approval, target and actual loan disbursement, target and actual loan realization, target and actual realization of NPA and percentage of interest amount in respect of total income. Loan disbursement and realization of gold-silver, hypothecation of Janakpur Cigarette Factory, hypothecation of public, pledge (merchant of agriculture product and others), loan of fixed deposit, project loan, agricultural loan, service loan, industry loan and overdraft loan.

4.1.1 Target and Actual Loan Approval

Table:-4.1

Target and Actual Loan Approval

(Rs. in Lakes)

FY	Target for Approval	Actual Approval	Increase/Decrease (%) on actual than target	Number of clients
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061/62	5,714.50	7,756.65	35.74	120
062/63	4,559.50	2,117.53	(53.54)	86
063/64	6,061.00	7,171.49	18.32	106
064/65	7,194.00	9,202.48	27.92	71
065/66	7,920.00	7,094.45	(0.89)	87

Appendix-A

In the above mentioned table, it is observe that the highest and lowest actual approval loan of NBL (JCF, Compounds, Janakpur) in study period are Rs.9,202.48 lakhs in the FY 064/65 and Rs.4,559.50 lakhs in the FY 062/63 respectively.

In FY 2061/62, the NBL had approved Rs.7,756.65 lakhs, share to 120 clients where as target of loan approval was Rs.5,714.50 lakhs. The approved loan is higher than target by 35.74%.

In FY 2062/63, the NBL had approved Rs.2,117.53 lakhs, share to 86 clients where as target of loan approval was Rs.4,559.50 lakhs. The approved loan is lower than target and previous year's loan approval by 53.54% and 72.69% respectively.

In FY 2063/64, the NBL had approved Rs7,171.49. lakhs, share to 106 clients where as target of loan approval was Rs.6,061.00 lakhs, which shows that approval loan is higher than target by 18.32%. This FY shows that 238.56% increased in actual approval than previous year's loan approval.

In FY 2064/65, the NBL had approved Rs.9,202.48 lakhs, share to 64 clients where as target of loan approval was Rs.7,194.00 lakhs, which shows that approval loan is higher than target by 27.92%. This FY shows that 28.32% increased in actual approval than previous year's loan approval.

In FY 2065/66, the NBL had approved Rs.7,094.45 lakhs, share to 79 clients where as target of loan approval was Rs.7,920.00 lakhs, which shows that approval loan is lower and previous years loan approval by 0.89% and 22.91% respectively. The data is also presented through bar chart and graph figure n.2 and 3 respectively.

Figure N. 4.1

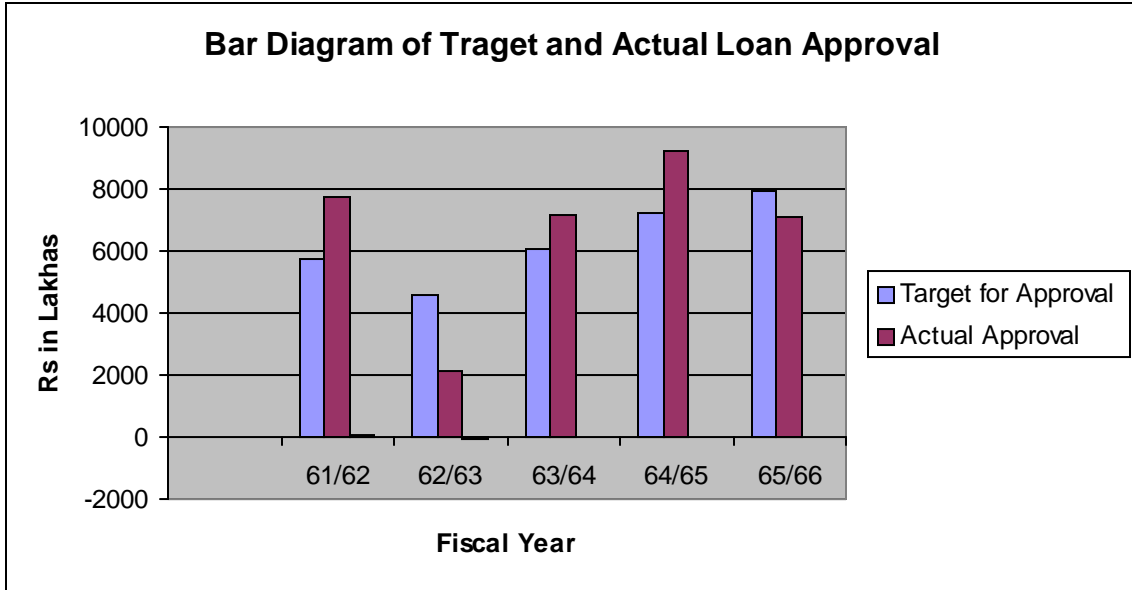


Figure N. 4.1

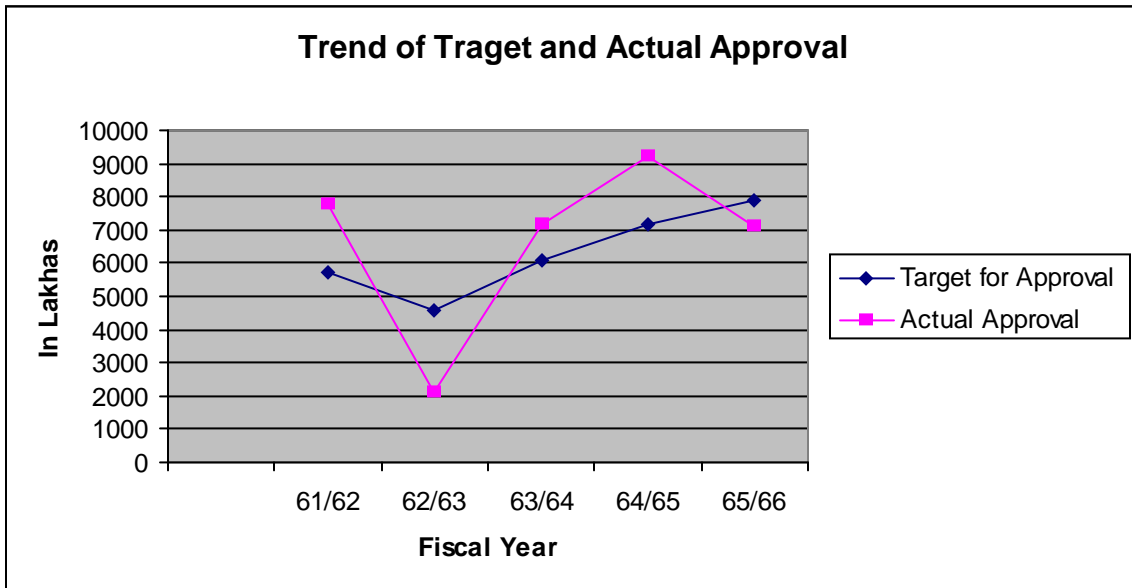


Figure N.4.2

4.1.2 Target and Actual Loan disbursement

Table:-4.1

Figure n. 4.2

4.1.2 Target and Actual Loan disbursement

Table :-4.1

Target and Actual Loan disbursement

(Rs. In Lakhs)

FY	Target for disbursement	Actual disbursement	Increase/Decrease (%) on actual than target
061/62	5500	7756.65	41.03
062/63	1507	2118.82	40.41
063/64	5857.5	7,171.48	29.94
064/65	6855.2	9,202.47	34.24
065/66	11000	10,533.38	(0.96)

Appendix-A

The above-mentioned table is related with the target and actual loan disbursement. It is observed that the bank had highest and lowest target of loan disbursement in study period are Rs.11000 lakhs in FY 065/66 and Rs.1507 lakhs in the FY 062/63 respectively.

The actual disbursement of loan is Rs.7756.65 lakhs, which is 41.03% higher than target disbursement in FY 061/62. The actual disbursement in FY 062/63 is Rs.2118.82 lakhs, which is 40.41% higher than target disbursement. The target of this FY is lower than other FY in study period and 72.6% lower than previous year.

The actual disbursement in FY 063/64 is Rs.7171.48 lakhs, which is 29.94% higher than target disbursement. The target of this FY is higher than previous year by 288.68%, which is highest increment in study than previous year.

The actual disbursement in FY 064/65 is Rs.9202.47 lakhs, which is 34.24% higher than target disbursement. The target of this FY is also higher

than previous year's target by 17.03%, which shows that the target of loan disbursement is in increasing trend.

The actual disbursement in FY 065/66 is Rs.11000 lakhs, which is 0.96% lower than target disbursement. This disbursement shows that the management are not efficient. The data is also presented through bar chart and graph figure n.4 and 5 respectively.

Figure N.4.3

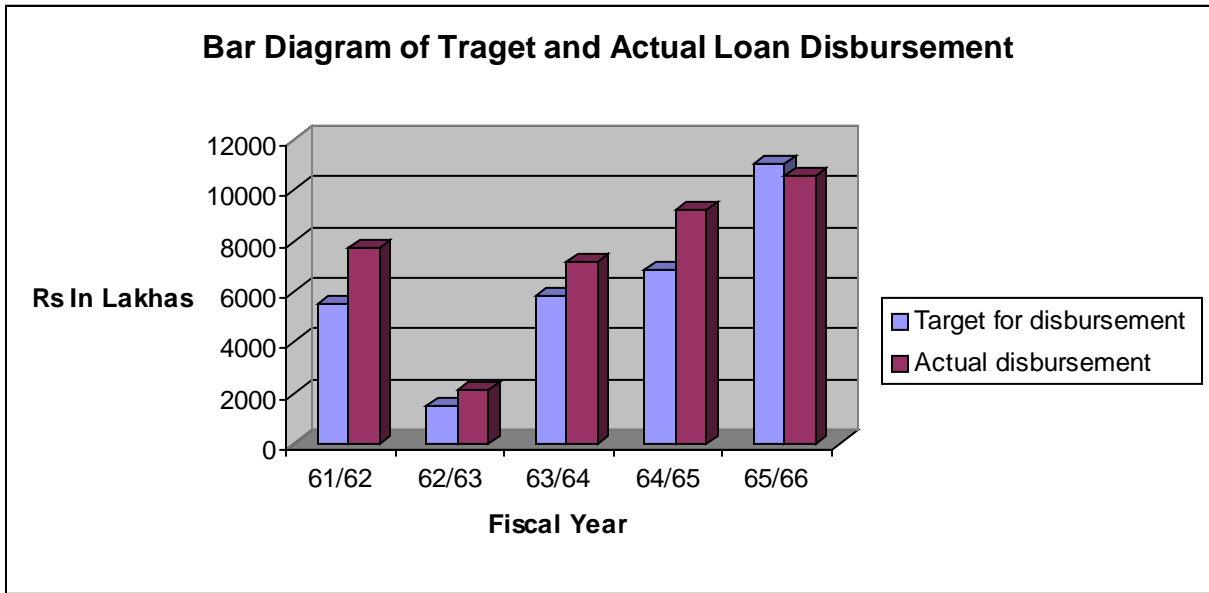
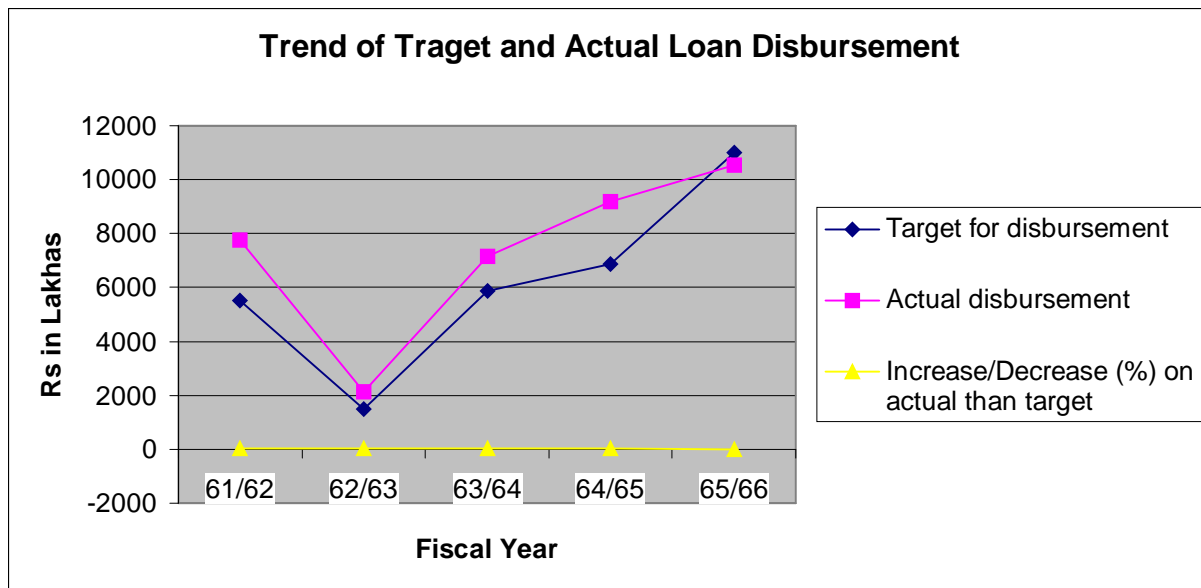


Figure N.4.4



4.1.3 Target and Actual Loan Realization

Table:-4.3

Target and Actual Loan Realization

(Rs. In Lakhs)

FY	Target for Realization	Actual Realization	Increase/Decrease (%) on actual than target
061/62	6821.1	6318.55	(7.4)
062/63	6983.9	7947.64	13.8
063/64	7535	7836.46	4
064/65	8324.8	9476.37	13.83
065/66	9350	10136.69	1.08

Appendix-A

The above-mentioned table shows that the target and actual loan realization of NBL (JCF, Compound, Janakpur). Most of financial institutions are failed due to unable to realization of disbursed loan. And this is the main reason of NBL, which forced to

gives the management in contract. The highest and lowest realization of loan is Rs.10136.69 lakhs in FY 065/66 and Rs 6318.55 lakhs in FY 061/62.

The FY 061/62 gives the target for realization of disbursed loan is Rs.6821.1 lakhs. But the actual realization is Rs.6318.55, which is 7.4% lower than target.

The above table explained that, from FY 062/63 the actual realization is higher than target. The actual realization of this FY is Rs.7947.64 lakhs, which are 13.8% higher than target and 25.78% higher than previous year's realization.

The actual realization of loan in FY 063/64 is Rs.7836.46 lakhs, which is 4% higher than target. But this year's realization is lower than previous year's realization by 1.4%.

The actual realization of loan is Rs.9476.37 lakhs in FY 064/65, which is also higher than target of realization by 13.83%. And actual realization of this FY is higher than previous year's realization by 20.93%.

The actual realization of loan in FY 065/66 is Rs.10136.69 lakhs, which is 1.08% higher than target of realization and realization of this FY is higher than previous years realization by 6.98%, which also explained that the performance of bank is in increasing trend. The data is also presented through bar chart and graph figure n.6 and 7 respectively.

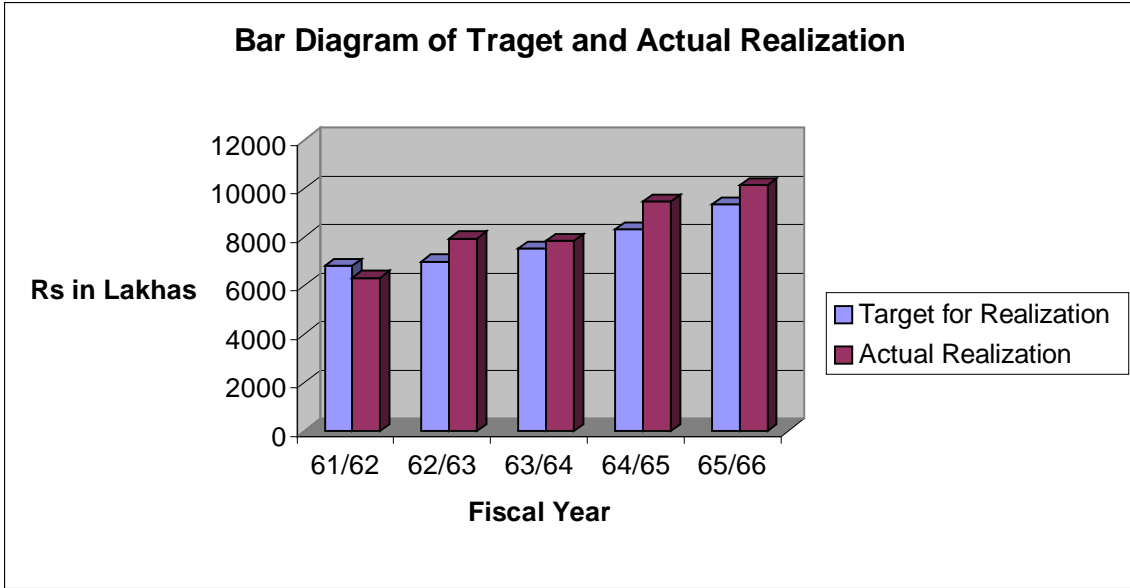


Figure N.4.5

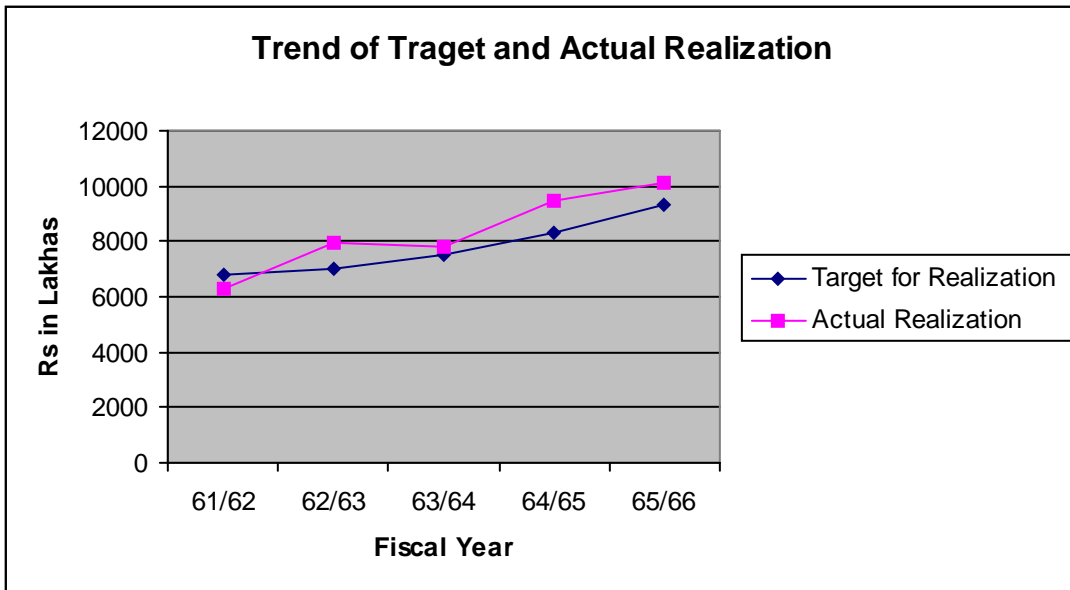


Figure N.4.6

4.1.4 Target and Actual Realization of NPA

Table:-4.4

Target and Actual Realization of NPA

(Rs. In Lakhs)

A Case Study on Loan disbursement and realization of NBL

FY	Target for Realization	Actual Realization	Increase/Decrease (%) on actual than target
061/62	174.9	187.66	7.30
062/63	198	236.66	19.53
063/64	211.2	265.74	25.83
064/65	209	207.10	(1.94)
065/66	275	326.01	1.19

Appendix-A

The assets, which is bad debt or are not in mobilization form is known as non-performing assets. The above-mentioned table shows that the target and actual realization of NPA. The highest target of NPA is Rs.275 lakhs in FY 065/66 and lowest target is Rs.174.9 lakhs in FY 061/62 in study period.

In FY 061/62, the actual realization of NPA is Rs.187.66 lakhs, which is higher than target by 7.30% than target.

The actual realization of NPA is Rs.236.66 lakhs in FY 062/63, which is higher than target by 19.53%. The realization of NPA is also higher than the previous year's realization by 26.11%.

In FY 063/64, the actual realization of NPA is Rs.265.74 lakhs, which is higher than target of Rs.211.2 lakhs. The realization is also higher than previous year's realization and target by 12.28% and 25.83% respectively. This is highest realization of study period.

The actual realization of NPA is Rs.207.10 lakhs in FY 064/65, which is lower than the target of Rs.209 lakhs. In respect of percentage, the actual realization is less by 1.94% than target and also less than previous year's realization by 22.07%.

In FY 065/66, the actual realization of NPA is Rs.326.01 lakhs, which is higher than target of Rs275 lakhs. The realization is also higher than previous year's realization and target by 57.41% and 1.19% respectively. The data is also presented through bar chart and graph figure n.8 and 9 respectively.

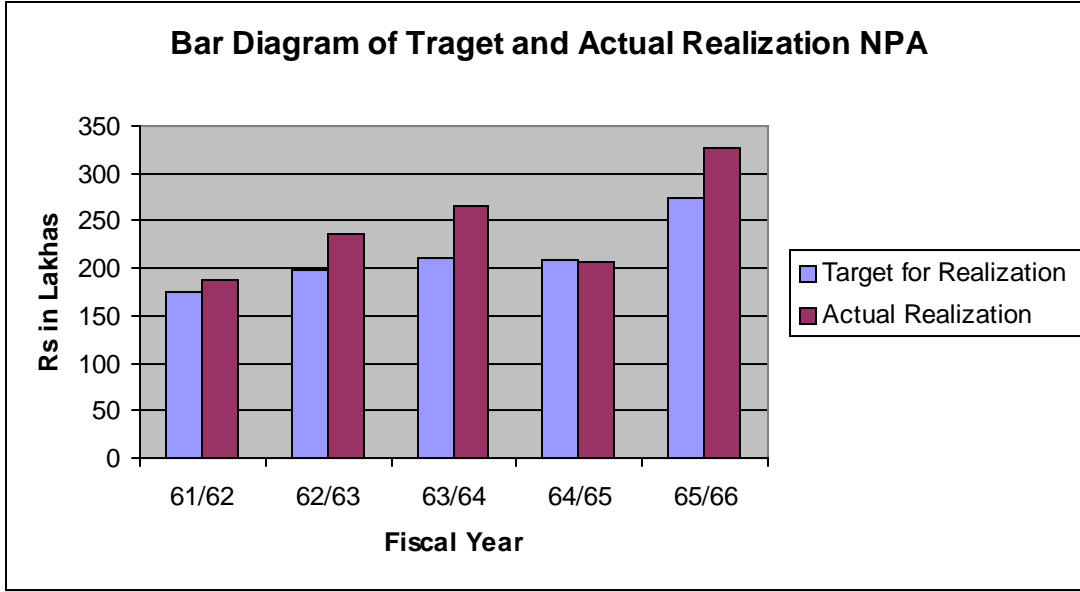


Figure N.4.7

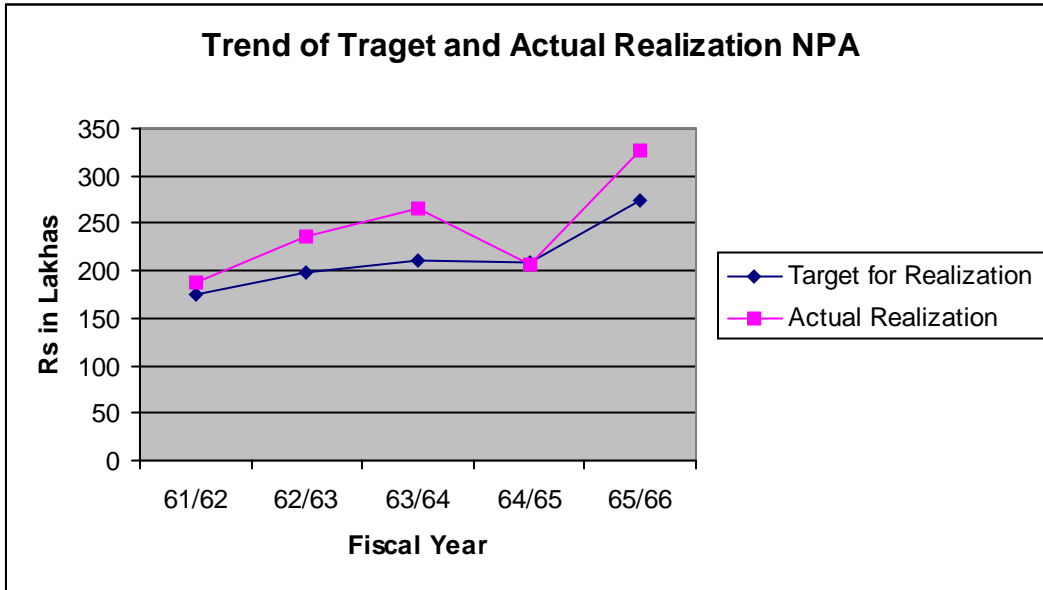


Figure N.4.8

4.1.5 Interest Amount in Respect of Total Income

Table:-4.5

Interest Amount in Respect of Total Income

(Rs. In Lakhs)

A Case Study on Loan disbursement and realization of NBL

FY	Total Income	Interest Amount	Increase/Decrease (%) on actual than target
061/62	237.77	227.42	95.64
062/63	205.20	196.28	95.65
063/64	166.27	151.23	90.96
064/65	241.20	231.89	96.14
065/66	229.15	209.22	91.30

Appendix-A

The above-mentioned table shows that the highest and lowest percentages of interest amount in respect of total income are 96.14% in FY 064/65 and 90.96% in FY 063/64 respectively. The observation explained that the bank's income is more depended upon the interest on loan.

In FY 061/62, the total income is Rs.237.77 lakhs but Rs.227.42 lakhs is interest amount. The percentage of interest amount in respect of total income is 95.64%.

The interest amount is Rs.196.28 lakhs in FY 062/63 where total income is Rs.205.20 lakhs, which shows that 95.65% is the interest amount and only 4.35% amount is other income.

The interest amount is Rs.151.23 lakhs in FY 063/64 where total income is Rs.166.27 lakhs, which shows that 90.96% is the interest amount and only 9.04% amount is other income. It is also less than previous year by 4.69%.

The interest amount is Rs.231.89 lakhs in FY 064/65 where total income is Rs.241.20 lakhs, which shows that 96.14% is the interest amount and only 3.86% amount is other income. It is higher by 5.18% than previous year's interest amount.

The interest amount is Rs.209.22 lakhs in FY 065/66 where total income is Rs.229.15 lakhs, which shows that 91.30% is the interest amount and only 8.69% amount is other income. It is less than previous year's by 4.84%. The data is also presented through bar chart and graph figure n.10 and 11 respectively.

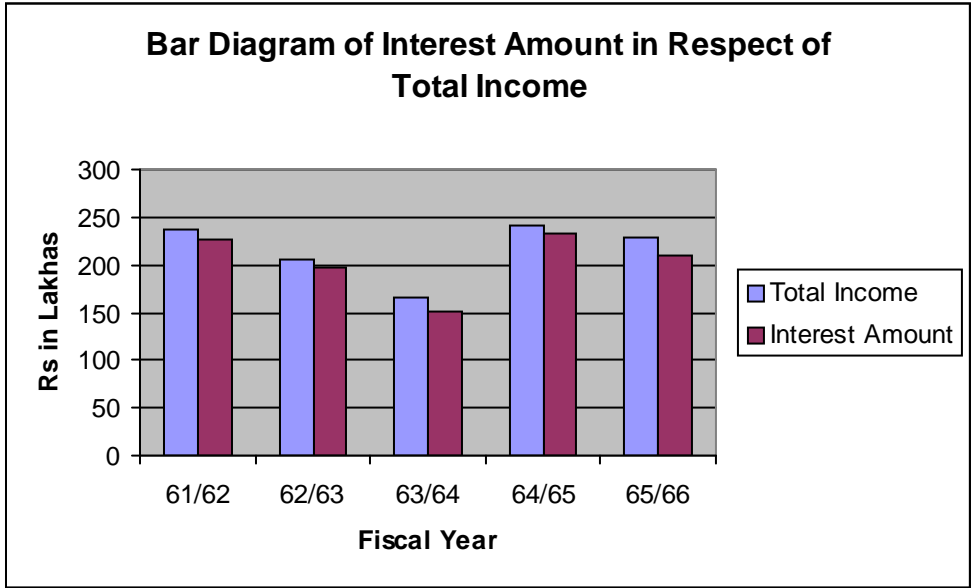


Figure N. 4.9

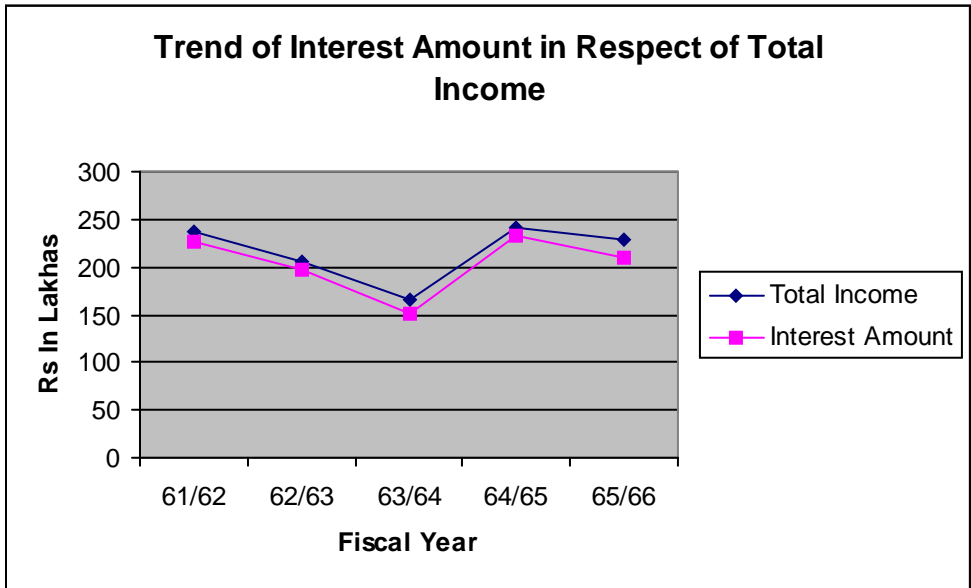


Figure N.4.10

4.1.6 Cost of Fund

**Table:-4.6
Cost of Fund**

(Rs. In lakhs)

FY	Explicit cost (%)	Implicit cost (%)	Total cost (%)
061/62	9.58	3.5	13.08
062/63	8.85	1.5	10.35
063/64	3.90	2.7	6.60
064/65	7.50	2.6	10.10
065/66	6.89	3.26	10.15

Appendix-A

Cost of fund is the expenses bear by FI for management of accepted deposit amount from depositor. It may be explicit and implicit cost. The cost, which is given to saver or depositor as interest on deposit is known as explicit cost. And the cost, which is bear by FI for management of such deposit, is known as implicit cost.

The above-mentioned table shows that the cost of fund of NBL (JCF Compound, Janakpur). The highest and lowest costs of fund are 13.08% in FY 061/62 and 6.60 in FY 063/64. The cost is important for FI because the net profit is directly depending upon this cost.

The explicit and implicit costs are 9.58% and 3.5% respectively in 061/62. Which gives the 13.08% cost of fund.

In 062/63 the explicit and implicit costs are 8.85% and 1.5% respectively. Which gives the 10.35% cost of fund. The cost is lower than previous year's cost by 2.73%.

The explicit cost of this year is lower than other FY of study period is 3.90% in FY 063/64 and implicit cost is 2.7%, which gives the 6.60% lowest cost of fund of the study period. This cost of fund is lower than previous year's cost by 3.75%.

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The explicit and implicit costs of FY 064/65 are 7.5% and 2.6% respectively. Which gives the cost of fund is 10.10%. This cost is higher than previous year's cost by 3.5%.

In 065/66 the explicit and implicit costs are 6.89% and 3.26% respectively. Which gives the 10.15% cost of fund. The cost is higher than previous year's cost by 0.05%. The data is also presented through bar chart and graph figure n.12 and 13 respectively.

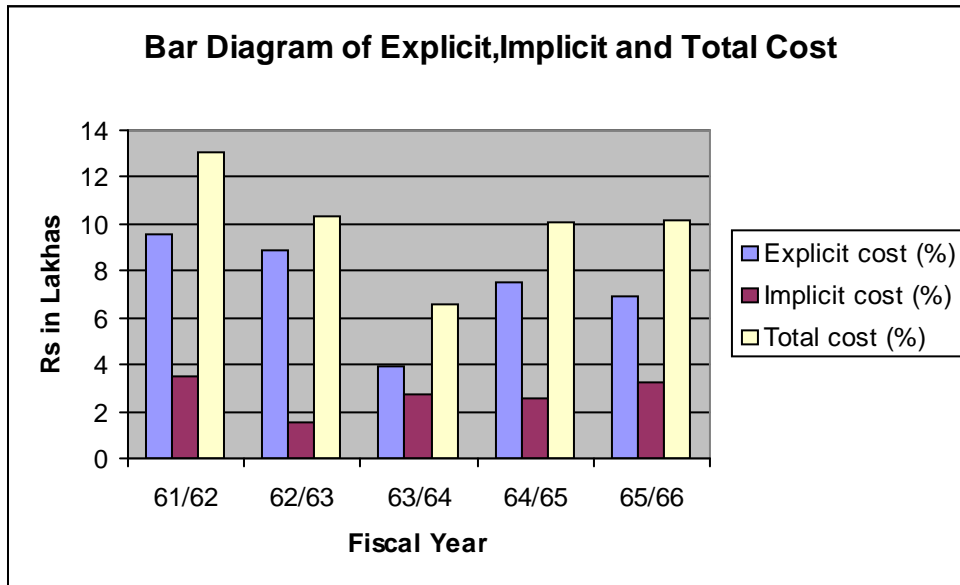


Figure N. 4.11

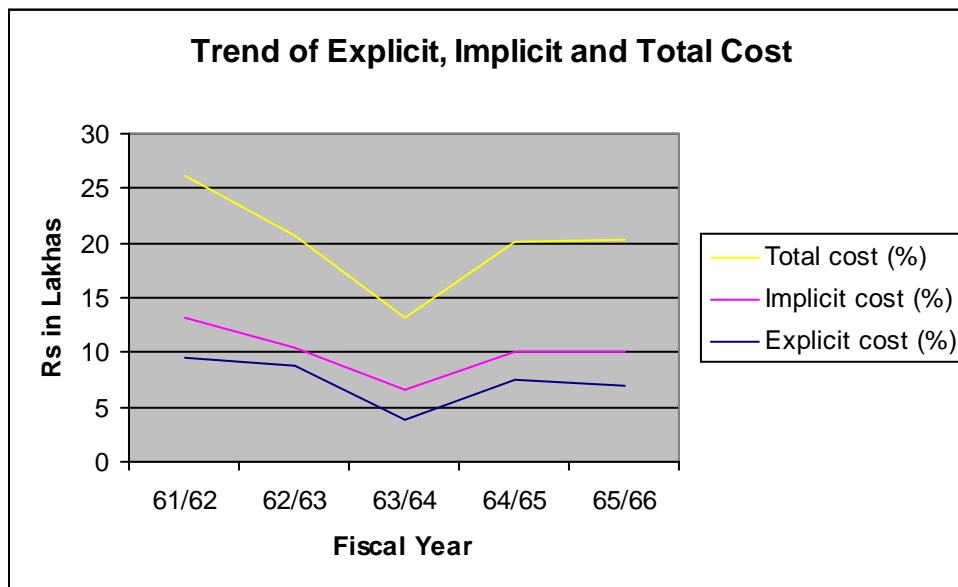


Figure N.4.12

4.1.7 Loan disbursement and realization of Gold-Silver

Table:-4.7

Loan disbursement and realization of Gold-Silver

(Rs. In Lakhs)

FY	Disbursement	Principle Realization	Interest Realization	Total Amount
061/62	70.09	76.77	25.49	102.26
062/63	80.75	104.93	19.91	124.84
063/64	18.05	61.44	2.20	63.64
064/65	00.00	30.26	5.87	36.13
065/66	24.42	49.35	8.54	57.89
Average	38.66	64.55	12.40	76.95
S.D.	31.25	25.28	8.82	32.06
C.V.	80.83%	39.17%	71.16%	41.67%

Appendix: - A

In the above-mentioned table, it is cleared that the highest and lowest loan disbursement of gold-silver in study period are Rs.80.75 lakhs in FY 062/63 and there is no disbursement in FY 064/65. The highest and lowest realization of principle are Rs.104.93 lakhs in FY 062/63 and Rs.30.26 lakhs in FY 064/65 whereas interest are Rs.25.49 lakhs

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in FY 061/62 and Rs.2.20 lakhs in FY 063/64. Which gives the highest and lowest total amount realization is Rs.124.84 lakhs in FY 062/63 and Rs.36.13 lakhs in FY 064/65 respectively.

The average of loan disbursement of gold-silver, realization of principle and interest and total amount realization are 38.66,64.55,12.40 and 76.95 respectively. From the table, it is also observed that the disbursement of gold-silver loan of bank has been fluctuating in the study period because S.D. and C.V. are 31.25 and 80.83% respectively.

Realization of principle of amount is less fluctuating than realization of interest amount during the study period because the S.D. and C.V. of realization of principle and interest are 25.28 and 39.17%, 8.82 and 71.16% respectively.

Similarly, the total amount realization of bank is less fluctuating than principle realization but more fluctuating than interest realization, which explained through the S.D. and C.V. are 32.06 and 41.67% respectively. The above data can be explained through the following bar diagram and graph figure N. 14 and 15 respectively.

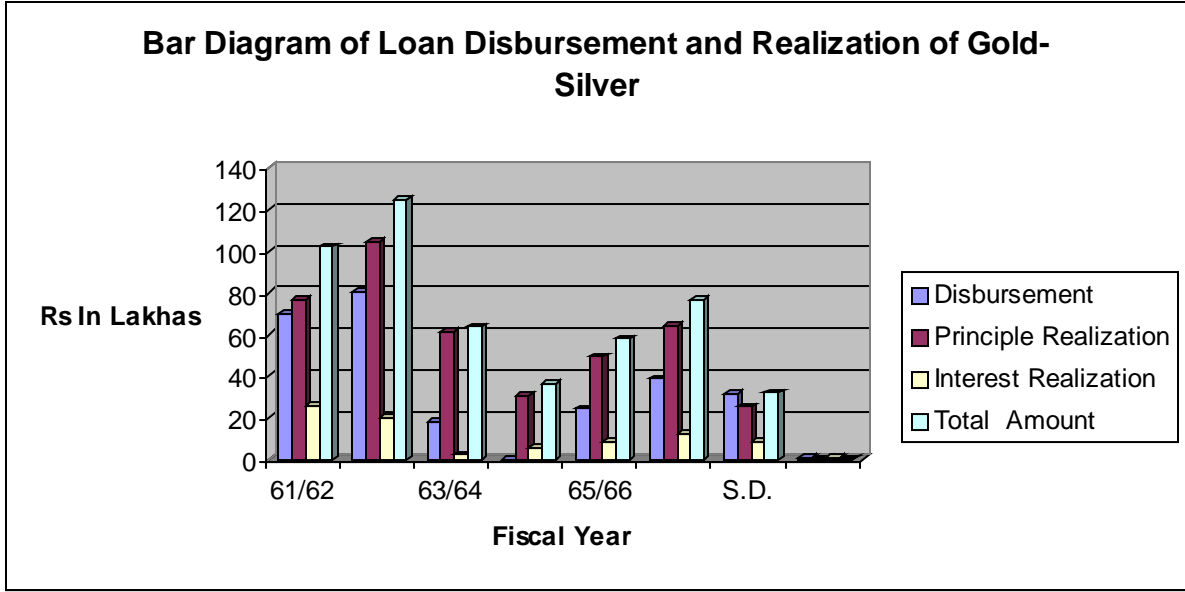


Figure N. 4.13

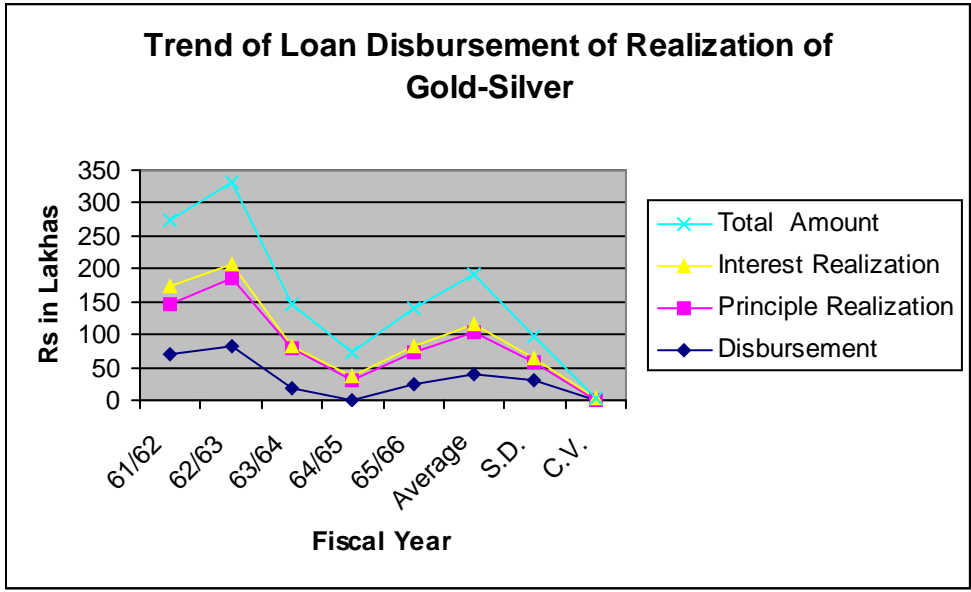


Figure N. 4.14

4.1.8 Loan disbursement and realization of Hypothecation, JCF

Table:-4.8

Loan disbursement and realization of HP, JCF

(Rs. In Lakhs)

FY	Disbursement	Principle Realization	Interest Realization	Total Amount
061/62	6349.71	4798.89	43.19	4842.08
062/63	1363.36	6646.64	96.95	6743.59
063/64	6503.20	6591.55	81.35	6672.90
064/65	7528.81	7733.93	58.29	7792.22
065/66	8235.24	7632.51	62.29	7694.80
Average	5996.07	6680.71	68.48	6749.12
S.D.	2416.92	1055.04	18.75	1060.66
C.V.	40.31%	15.79%	27.41%	15.72%

Appendix:-A

The above mentioned table shows that the highest and lowest loan disbursement of Hypothesis, JCF are Rs.8235.24 lakhs in FY 065/66 and Rs.1363.36 lakhs in FY 062/63 respectively.

The highest and lowest realization of principle are Rs.7733.93 lakhs in FY 064/65 and Rs.4798.89 lakhs in FY 061/62 whereas interest are Rs.96.95 lakhs in FY 062/63 and Rs.43.19 lakhs in FY 061/62 respectively. Similarly highest and lowest of total amount realization is Rs.7792.22 lakhs in FY 064/65 and Rs.4842.08 lakhs in FY 061/62 respectively.

The average of loan disbursement of Hypothesis, JCF realization of principle and interest and total amount realization are 5996.07, 6680.71, 68.42 and 6749.12 respectively. From the table, it is also observed that the disbursement of Hypothesis, JCF loan of bank has been fluctuating in the study period because S.D. and C.V. are 2416.92 and 40.31% respectively.

Realization of principle of amount is less fluctuating than realization of interest amount during the study period because the S.D. and C.V. of realization of principle and interest are 1055.04 and 15.79%, 18.75 and 27.41% respectively.

Similarly, the total amount realization of bank is less fluctuating than principle realization but more fluctuating than interest realization, which explained through the S.D. and C.V. are 1060.66 and 15.72% respectively. The NBL (JCF Compound, Janakpur) is established for the purpose of providing facilities to the JCF. So, the disbursed loan is very high than others field. The above data can be explained through the following bar diagram and graph figure N. 16 and 17 respectively.

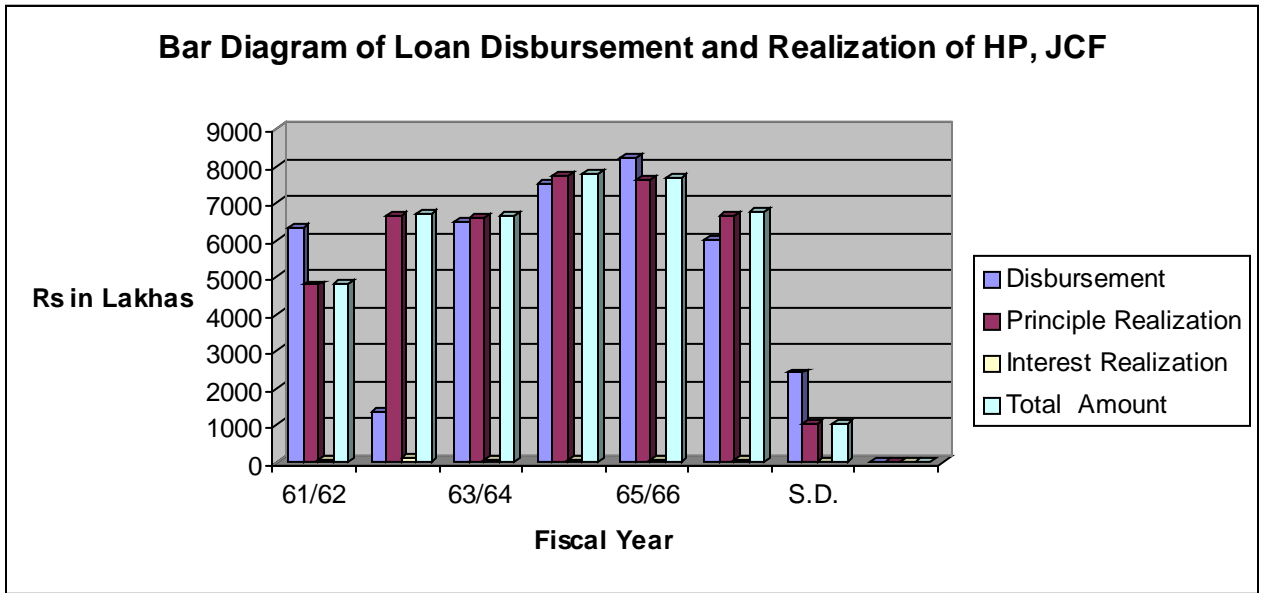


Figure N. 4.15

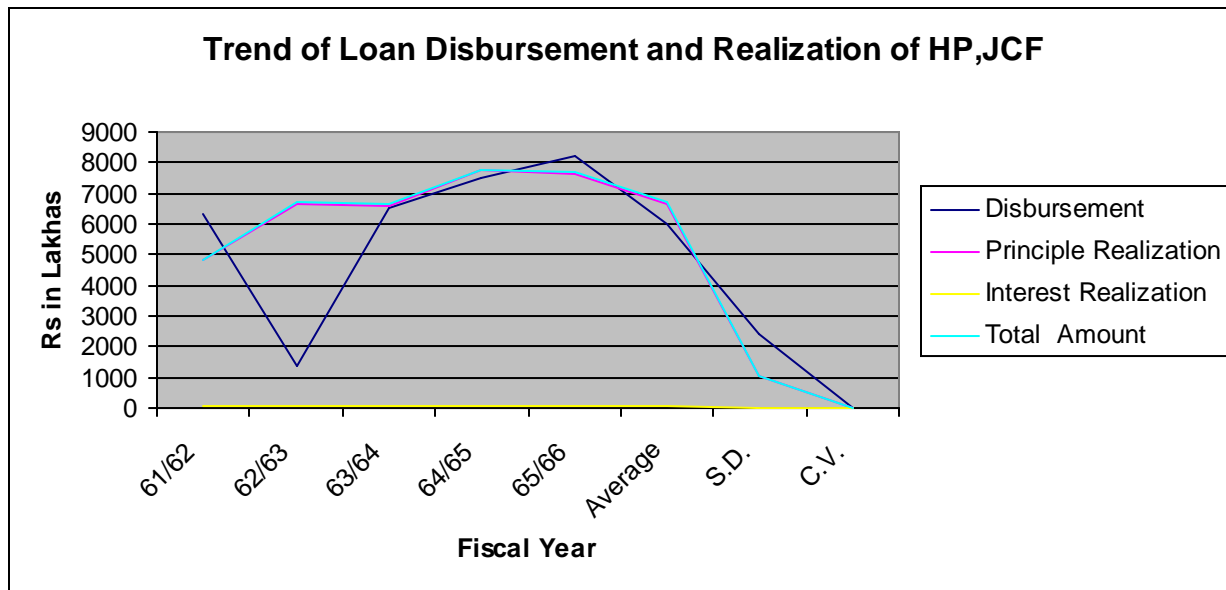


Figure N. 4.16

4.1.9 Loan disbursement and realization of Hypothecation, Public

Table:-4.9

Loan disbursement and realization of HP, Public

(Rs. In Lakhs)

FY	Disbursement	Principle Realization	Interest Realization	Total Amount
061/62	60.06	35.64	15.99	51.63
062/63	24.36	28.41	14.22	42.63

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063/64	85.40	83.45	11.78	95.23
064/65	511.01	404.2	110.79	514.99
065/66	612.50	512.25	124.81	637.06
Average	258.67	212.79	55.52	268.31
S.D.	250.30	204.17	51.07	254.82
C.V.	96.77%	95.95%	91.98%	94.97%

Appendix:-A

Form the above-mentioned table; it is shows that the highest and lowest loan disbursement of Hypothesis, public is Rs.612.50 lakhs in FY 065/66 and Rs.24.36 lakhs in FY 062/63 respectively.

The highest and lowest realization of principle are Rs.512.25 lakhs in FY 065/66 and Rs.24.41 lakhs in FY 0562/63 whereas interest are Rs.124.81 lakhs in FY 065/66 and Rs.11.78 lakhs in FY 063/64 respectively. Similarly highest and lowest of total amount realization is Rs.637.06 lakhs in FY 065/66 and Rs.42.63 lakhs in FY 062/63 respectively.

The average of loan disbursement of Hypothesis, public realization of principle and interest and total amount realization are 258.67, 212.79, 55.52 and 268.31 respectively. From the table, it is also observed that the disbursement of Hypothesis, public loan of bank has been high fluctuating in the study period because S.D. and C.V. are 250.30and 96.77% respectively.

Realization of principle amount is high fluctuating than realization of interest amount during the study period because the S.D. and C.V. of realization of principle and interest are 204.17and 95.95%, 51.07 and 91.98% respectively.

Similarly, the total amount realization of bank is high fluctuating than interest realization but more fluctuating than public realization, which explained through the S.D. and C.V. are 254.82 and 94.97% respectively. The above data can be explained through the following bar diagram and graph figure N. 18 and 19 respectively.

Figure N.4.17

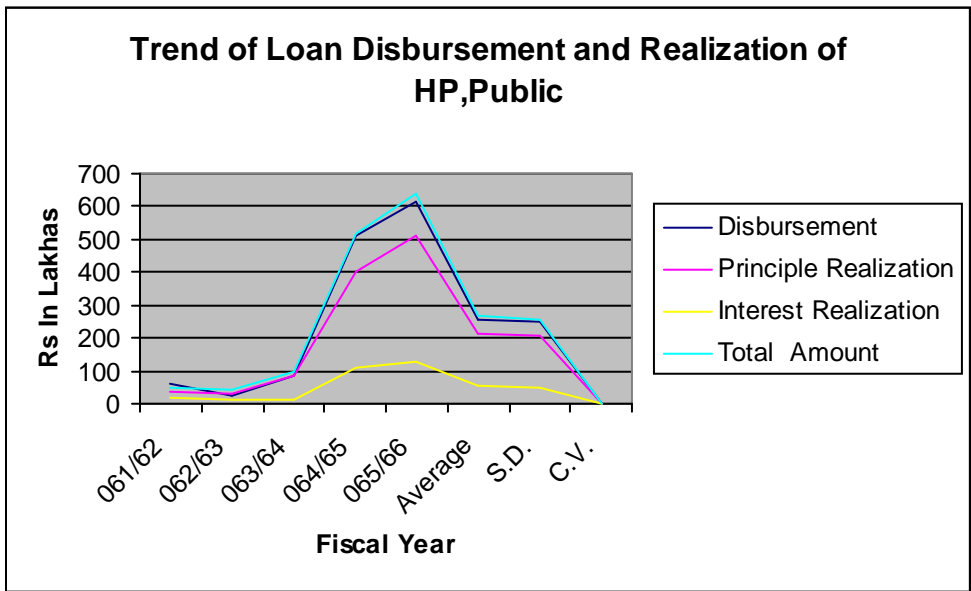
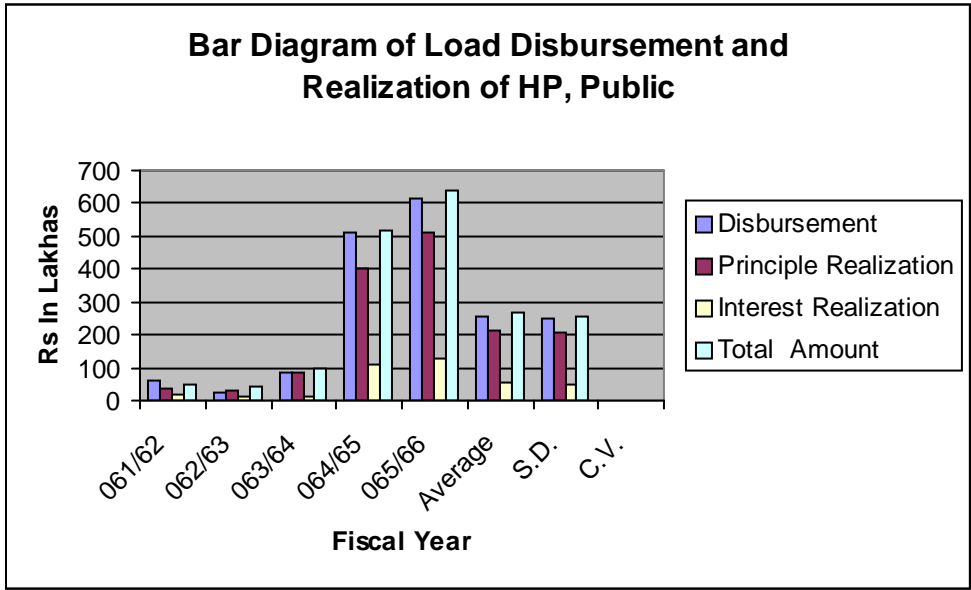


Figure N.4.18

4.1.10 Loan disbursement and realization of pledge (Agricultural)

Table:-4.10

Loan disbursement and realization of pledge (Agricultural)

(Rs. In Lakhs)

FY	Disbursement	Principle Realization	Interest Realization	Total Amount
061/62	77.25	452.71	46.37	499.08
062/63	45.20	64.01	2.96	66.97
063/64	12.23	15.71	2.16	17.87
064/65	00.00	00.00	0.30	0.30
065/66	00.00	24.01	5.01	29.02
Average	26.94	111.29	11.36	122.65
S.D.	30.11	172.02	17.57	189.48
C.V.	111.76%	154.57%	154.67%	154.50%

Appendix:-A

It is observed that the highest and lowest loan disbursement of pledge of merchant of agricultural product is Rs.77.25 lakhs in FY 061/62 and there is no disbursement in FY 065/66. The highest and lowest realization of principle are Rs.452.71 lakhs in FY 061/62 and no realization in FY 064/65 whereas interest are Rs.46.37 lakhs in FY 061/62 and Rs.0.30 lakhs in FY 064/65. Which gives the highest and lowest total amount realization is Rs.499.08 lakhs in FY 061/62 and Rs.0.30 lakhs in FY 064/65 respectively.

The average of loan disbursement of pledge of agricultural, realization of principle and interest and total amount realization are 26.94, 111.29, 11.36, and 122.65 respectively. From the table, it is also observed that the disbursement of pledge of agricultural product loan of bank has been high fluctuating in the study period because S.D. and C.V. are 30.11 and 111.76% respectively.

Realization of principle amount is also high fluctuating than realization of interest amount during the study period because the S.D. and C.V. of realization of principle and interest are 172.02 and 154.57%, 17.57 and 154.67% respectively.

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Similarly, the total amount realization of bank is high fluctuating than principle and interest, which explained through the S.D. and C.V. are 189.48 and 154.50% respectively. The above data can be explained through the following bar diagram and graph figure N. 20 and 21 respectively.

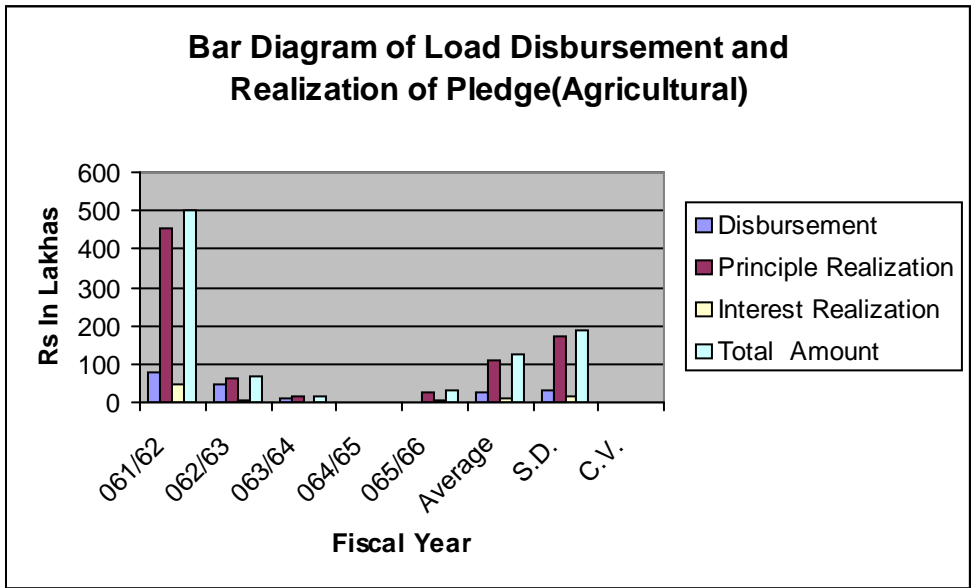


Figure N.4.19

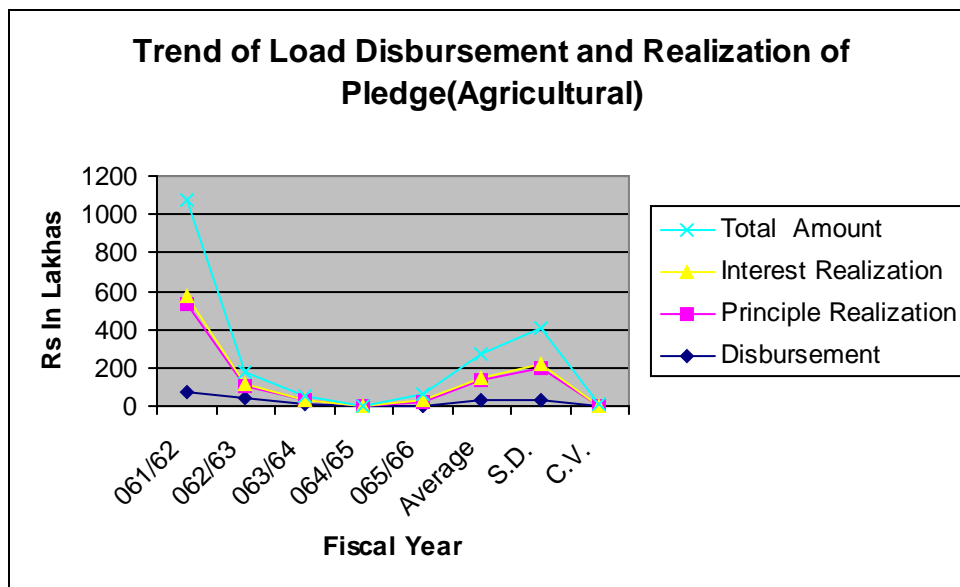


Figure N. 4.20

4.1.11 Loan disbursement and realization of pledge (Others)

Table:-4.11

Loan disbursement and realization of pledge (Others)

(Rs. In Lakhs)

FY	Disbursement	Principle Realization	Interest Realization	Total Amount
061/62	49.50	32.35	18.96	51.31
062/63	15.17	18.63	3.52	22.15
063/64	26.15	63.77	14.67	78.44
064/65	10.00	00.00	0.65	0.65
065/66	21.02	30.45	10.05	40.05
Average	24.37	29.04	9.57	38.52
S.D.	13.68	20.84	6.79	26.33
C.V.	56.18%	71.75%	70.96%	68.31%

Appendix:-A

It is observed that the highest and lowest loan disbursements of pledge of others are Rs.49.50 lakhs in FY 061/62 and Rs.10.00 lakhs in FY 064/65 respectively. The highest and lowest realizations of principle are Rs.63.77 lakhs in FY 063/64 and there is not realization in FY 064/65 whereas interest is Rs.18.96 lakhs in FY 061/62 and Rs.0.65 lakhs in FY 064/65. Which gives the highest and lowest total amount realization are Rs.78.44 lakhs in FY 063/64 and Rs.0.65 lakhs in FY 064/65 respectively.

The average of loan disbursement of pledge of others, realization of principle and interest and total amount realization are 24.37, 29.04, 9.57 and 38.52 respectively. From the table, it is also observed that the disbursement of pledge of others loan of bank has been high fluctuating in the study period because S.D. and C.V. are 13.68 and 56.18% respectively.

Realization of principle amount is less fluctuating than realization of interest amount during the study period because the S.D. and C.V. of realization of principle and interest are 20.84 and 71.75%, 6.79 and 70.96% respectively. Similarly, the S.D and C.V. of total amount realization is 26.33 and 68.31%. The above data can be explained through the following bar diagram and graph figure N. 22 and 23 respectively.

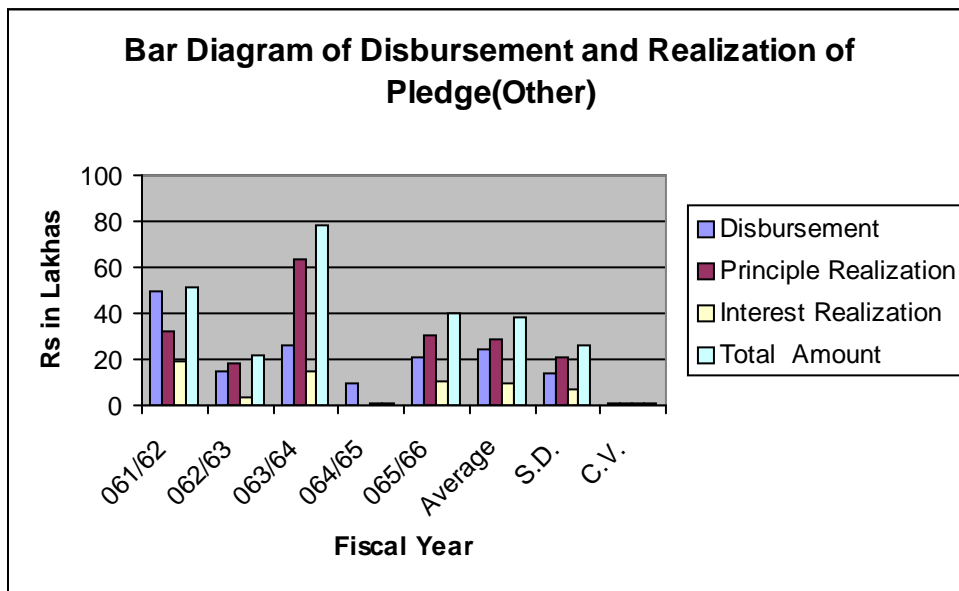


Figure N.4.21

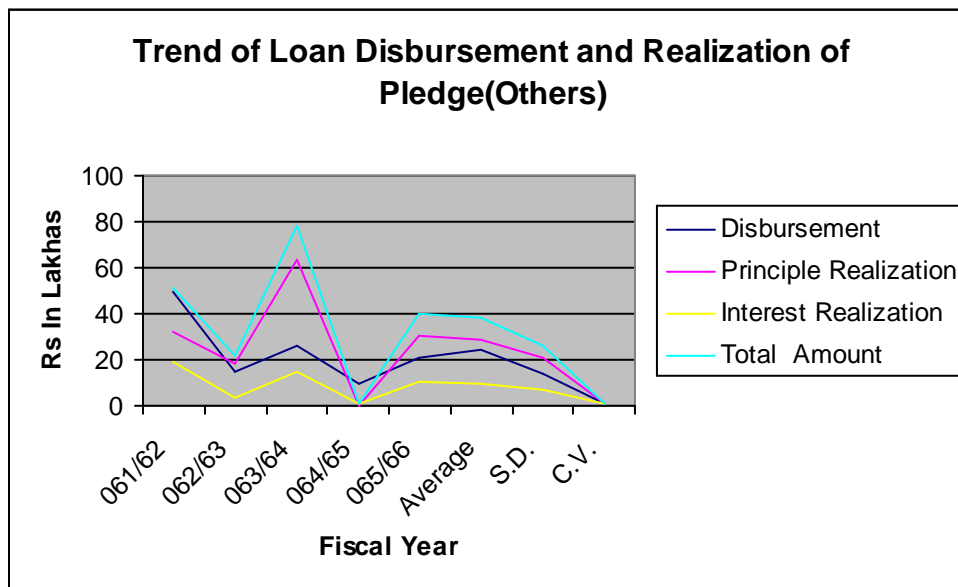


Figure N.4.22

4.1.12 Loan disbursement and realization of Fixed Deposit Loan

Table:-4.12

Loan disbursement and realization of Fixed Deposit Loan

(Rs. In Lakhs)

FY	Disbursement	Principle Realization	Interest Realization	Total Amount
061/62	9.30	4.26	1.63	5.89
062/63	11.47	9.63	1.23	10.86
063/64	0.56	5.64	1.20	6.84
064/65	10.12	8.47	1.17	9.64
065/66	15.10	9.05	3.01	12.06
Average	9.31	7.41	1.65	9.06
S.D.	4.85	2.09	0.70	2.35
C.V.	51.61%	28.18%	42.50%	25.91%

Appendix:-A

Form the above table, It is cleared that the highest and lowest loan disbursement of fixed deposit loan are Rs.15.10 lakhs in FY 065/66 and Rs.0.56 lakhs in FY 063/64 respectively. The highest and lowest realizations of principle are Rs.9.63 lakhs in FY

062/63 and Rs.4.26 lakhs in FY 061/62 respectively, whereas interest is Rs.3.01 lakhs in FY 065/66 and Rs.1.17 lakhs in FY 064/65. Which gives the highest and lowest total amount realization are Rs.12.06 lakhs in FY 065/66 and Rs.5.89 lakhs in FY 061/62 respectively.

The average of loan disbursement of pledge of others, realization of principle and interest and total amount realization are 9.31, 7.41, 1.65, and 9.06 respectively. From the table, it is also observed that the disbursement of fixed deposit loan of bank has been less fluctuating in the study period because S.D. and C.V. are 4.85 and 51.61% respectively.

Realization of principle amount is high fluctuating than realization of interest amount during the study period because the S.D. and C.V. of realization of principle and interest are 2.09 and 28.18%, 0.70 and 42.50% respectively. Similarly, the S.D and C.V. of total amount realization is 2.35 and 25.91% respectively. The above data can be explained through the following bar diagram and graph figure N. 24 and 25 respectively.

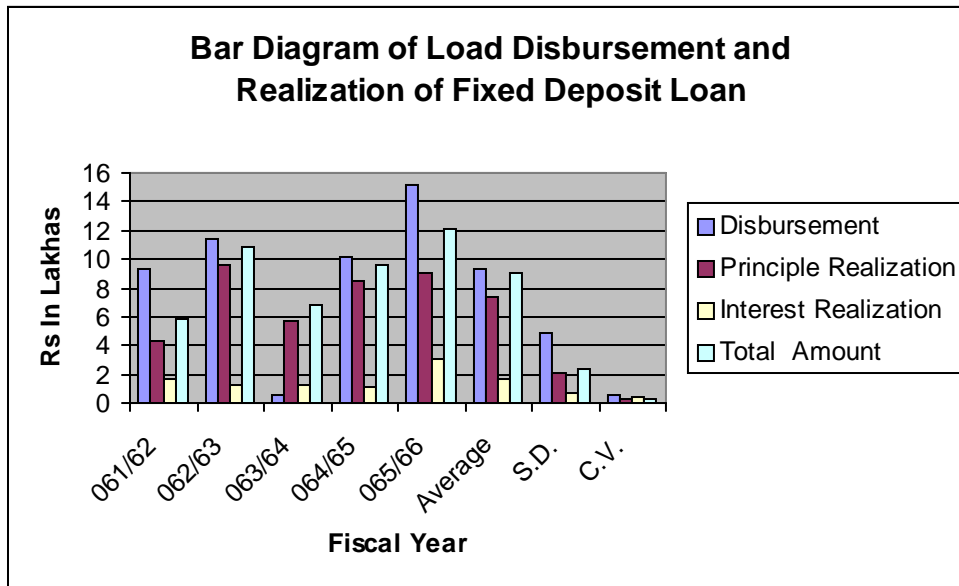


Figure N.4.23

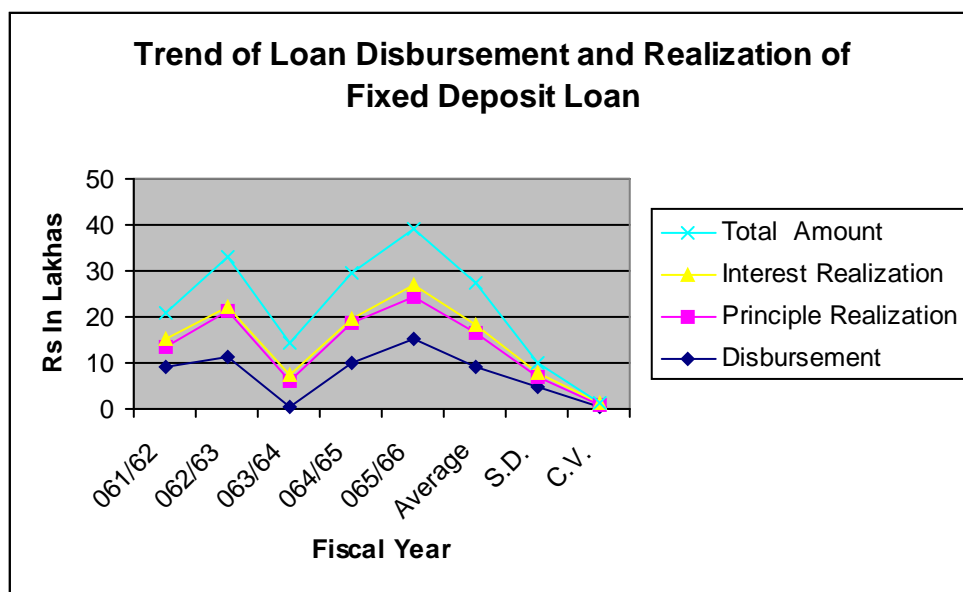


Figure N. 4.24

4.1.13 Loan disbursement and realization of Project loan

Table:-4.13

Loan disbursement and realization of Project loan

(Rs. In Lakhs)

FY	Disbursement	Principle Realization	Interest Realization	Total Amount
061/62	11.77	20.16	10.19	30.35
062/63	3.45	3.78	2.45	6.23
063/64	14.55	20.60	13.71	34.31
064/65	16.29	19.63	10.60	30.23
065/66	25.30	51.20	12.01	63.21
Average	14.27	23.08	9.79	32.87
S.D.	7.06	15.43	3.87	18.14
C.V.	49.46%	66.84%	39.56%	55.19%

Appendix:-A

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The above mentioned table shows that the highest and lowest loan disbursement of Project loan are Rs.25.30 lakhs in FY 065/66 and Rs.3.45 lakhs in FY 062/63 respectively. And the highest and lowest realization of principle are Rs.51.20 lakhs in FY 065/66 and Rs.3.78 lakhs in FY 062/63 whereas interest are Rs.12.01 lakhs in FY 062/63 and Rs.2.45 lakhs in FY 062/63 respectively. Similarly highest and lowest of total amount realization is Rs.63.21 lakhs in FY 065/66 and Rs.6.23 lakhs in FY 062/63 respectively.

The average of loan disbursement of Project loan, realization of principle and interest and total amount realization are 14.27, 23.08, 9.79 and 32.87 respectively. From the table, it is also observed that the disbursement of Project loan of bank has been highly fluctuating in the study period because S.D. and C.V. are 7.06 and 49.46% respectively.

Realization of principle of amount is less fluctuating than realization of interest amount during the study period because the S.D. and C.V. of realization of principle and interest are 15.43 and 66.84%, 3.87 and 39.56% respectively.

Similarly, the total amount realization of bank is high fluctuating than principle realization but less fluctuating than interest realization, which explained through the S.D. and C.V. are 18.14 and 55.19% respectively. The above data can be explained through the following bar diagram and graph figure N. 26 and 27 respectively.

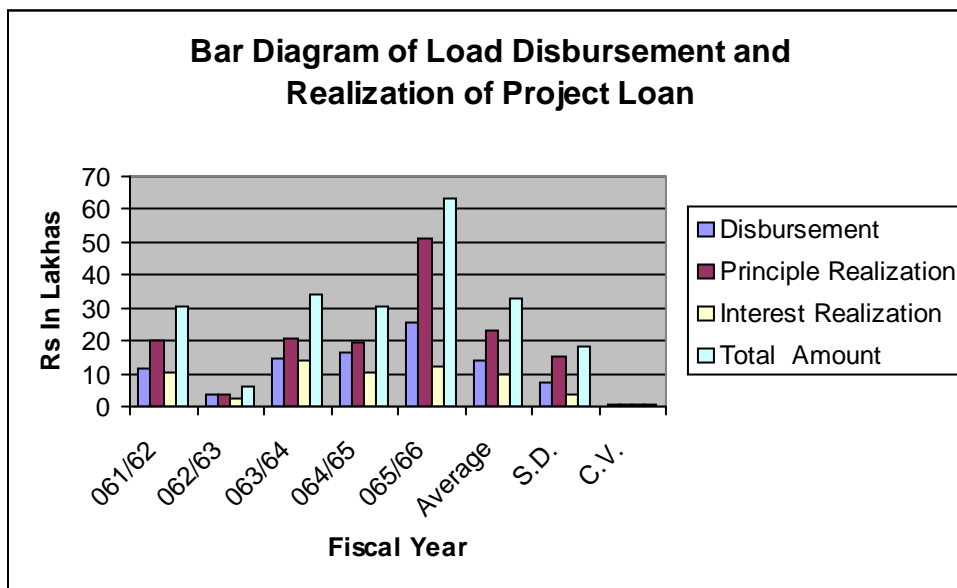


Figure N. 4.25

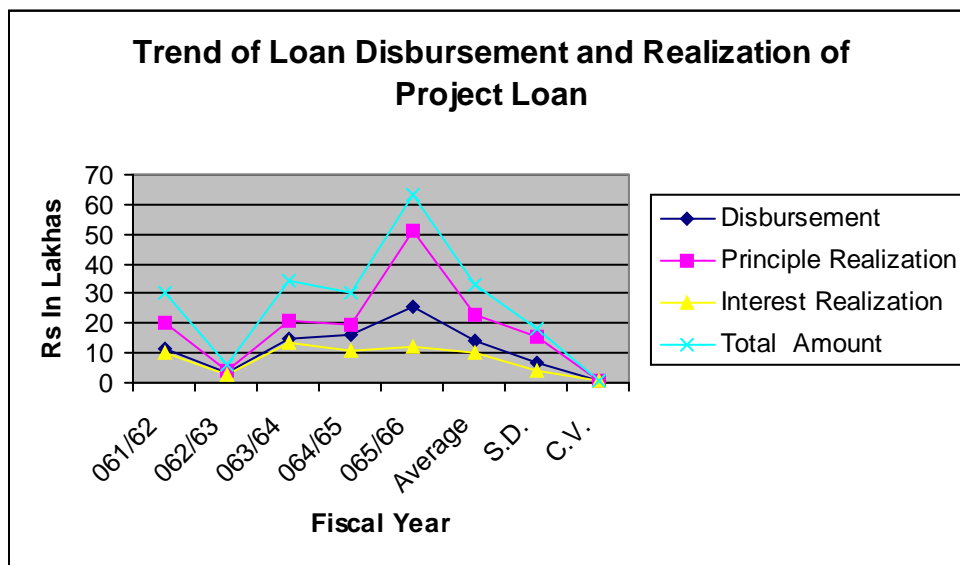


Figure N.4.26

4.1.14 Loan disbursement and realization of Agricultural loan

Table:-4.14

Loan disbursement and realization of Agricultural loan

(Rs. In Lakhs)

FY	Disbursement	Principle Realization	Interest Realization	Total Amount
061/62	00.00	16.73	9.96	26.69
062/63	00.00	11.57	5.35	16.92
063/64	00.00	10.74	1.81	12.55

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064/65	00.00	10.78	2.33	13.11
065/66	00.00	9.21	4.05	13.26
Average	00.00	11.81	4.7	16.51
S.D.	00.00	2.58	2.92	5.32
C.V.	00.00	21.83%	62.02%	32.22%

Appendix:-A

From the above-mentioned table, it is observed that the bank had not disbursed loan in agricultural filed in the study period. The highest and lowest realizations of principle amount are Rs.16.73 lakhs in FY 061/62 and Rs.9.21 lakhs in FY 065/66 respectively, whereas interest amount are also Rs.9.96 lakhs in FY 2061/62 and Rs. 1.81 lakhs in FY 063/64 respectively.

The average realization of principle, interest and total amount realization of agricultural loan are 11.81, 4.7, and 16.51 respectively. And realization of principle of amount is less fluctuating than realization of interest amount during the study period because the S.D. and C.V. of realization of principle and interest are 2.58 and 21.83%, 2.92 and 62.02% respectively.

Similarly, the total amount realization of bank is high fluctuating than principle realization but less fluctuating than interest realization, which explained through the S.D. and C.V. are 5.32 and 32.22% respectively. The above data can be explained through the following bar diagram and graph figure N. 28 and 29 respectively.

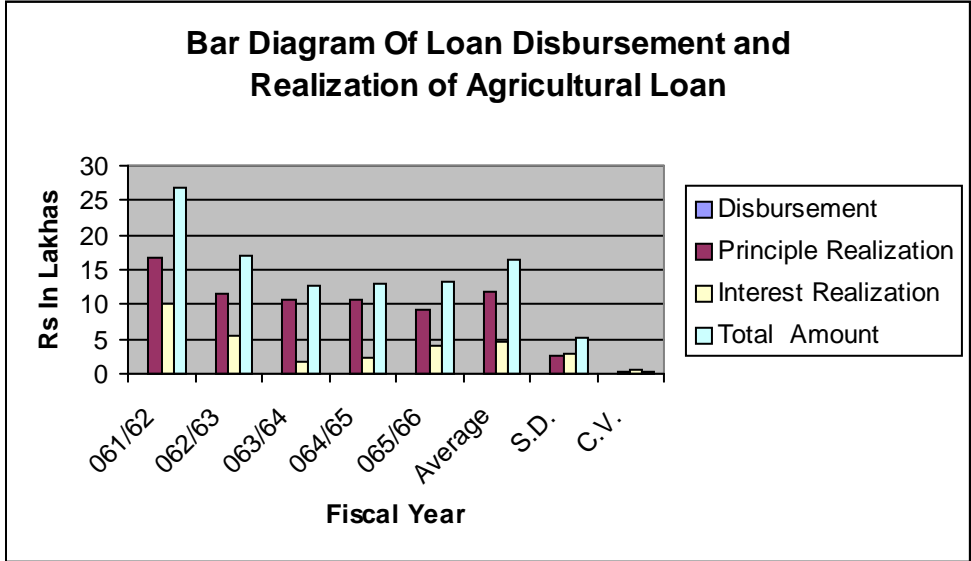


Figure N. 4.27

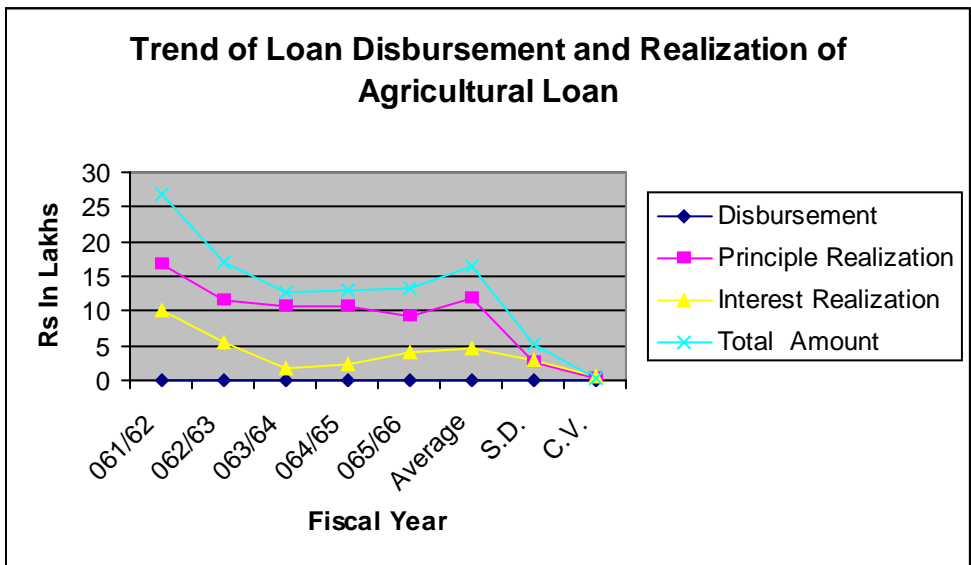


Figure N.4.28

4.1.15 Loan disbursement and realization of Industrial loan

Table:-4.15

Loan disbursement and realization of Industrial loan

(Rs. In Lakhs)

FY	Disbursement	Principle Realization	Interest Realization	Total Amount

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061/62	00.00	22.20	12.40	34.60
062/63	00.00	22.23	13.73	35.96
063/64	00.00	1.71	0.29	2.00
064/65	00.00	9.64	8.90	18.54
065/66	00.00	7.52	7.21	14.71
Average	00.00	12.66	8.51	21.16
S.D.	00.00	8.22	4.73	12.77
C.V.	00.00	64.95%	55.57%	60.35%

Appendix:-A

From the above-mentioned table, it is observed that the bank had not disbursed loan in industrial filed in the study period. The highest and lowest realizations of principle amount are Rs.22.23 lakhs in FY 062/63 and Rs.1.71 lakhs in FY 063/64 respectively, whereas interest amount are Rs.13.73 lakhs in FY 059/60 and Rs. 0.29 lakhs in FY 063/64 respectively.

The average realization of principle, interest and total amount realization of agricultural loan are 12.66, 8.51 and 21.16 respectively. And realization of principle of amount is high fluctuating than realization of interest amount during the study period because the S.D. and C.V. of realization of principle and interest are 8.22 and 64.95%, 4.73 and 55.57% respectively.

Similarly, the total amount realization of bank is almost same as principle and interest realization, which explained through the S.D. and C.V. are 12.77 and 60.35% respectively. The above data can be explained through the following bar diagram and graph figure N. 30 and 31 respectively.

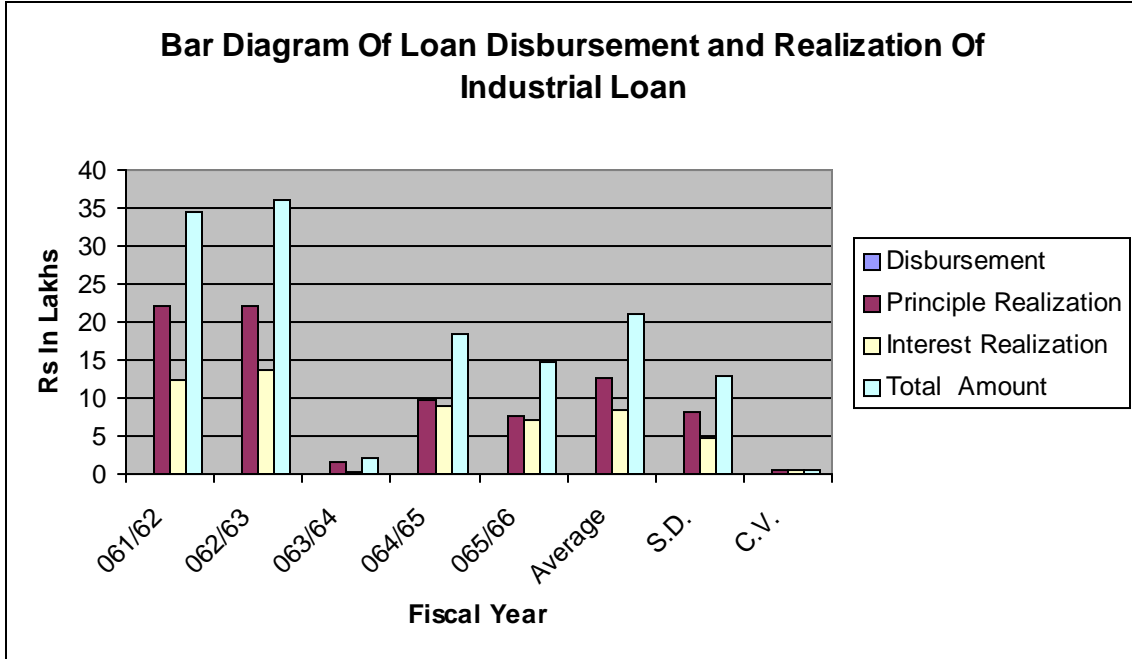


Figure N.4.29

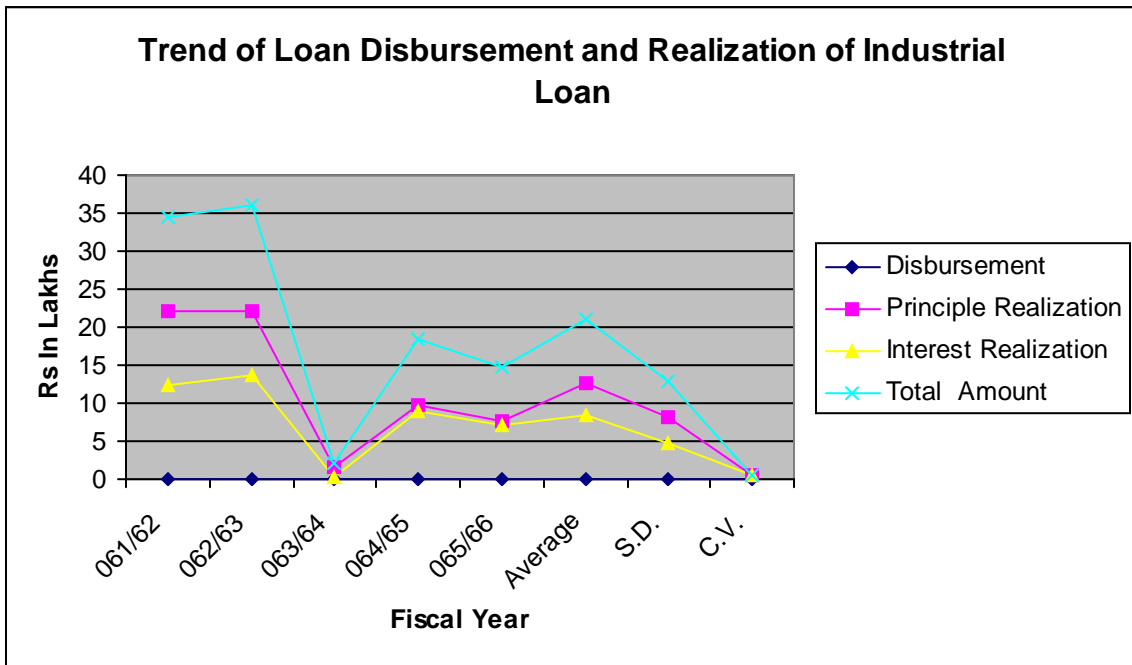


Figure N.4.30

4.1.16 Loan disbursement and realization of Service loan

Table:-4.16

Loan disbursement and realization of Service loan

(Rs. In Lakhs)

A Case Study on Loan disbursement and realization of NBL

FY	Disbursement	Principle Realization	Interest Realization	Total Amount
061/62	00.00	20.05	9.88	29.93
062/63	00.00	19.98	6.72	26.70
063/64	00.00	6.50	1.51	8.01
064/65	00.00	16.27	3.22	19.49
065/66	00.00	15.30	5.21	20.51
Average	0.00	15.62	5.31	20.93
S.D.	0.00	4.95	2.89	7.53
C.V.	0.00%	31.67%	54.38%	35.98%

Appendix:-A

From the above-mentioned table, it is observed that the bank had not disbursed loan in service filed in the study period. The highest and lowest realizations of principle amount are Rs.20.05 lakhs in FY 061/62 and Rs.6.50 lakhs in FY 063/64 respectively, whereas interest amount are Rs.9.88 lakhs in FY 061/62 and Rs. 1.51 lakhs in FY 063/64 respectively.

The average of loan disbursement of service loan, realization of principle, interest and total amount realization of service loan are 15.62, 5.31 and 20.93 respectively. And realization of principle of amount is less fluctuating than realization of interest amount during the study period because the S.D. and C.V. of realization of principle and interest are 4.95 and 31.67%, 2.89 and 54.38% respectively.

Similarly, the total amount realization of bank is high fluctuating than principle realization but less fluctuating than interest realization, which explained through the S.D. and C.V. are 7.53 and 35.98% respectively.

The above data can be explained through the following bar diagram and graph figure N. 32 and 33 respectively.

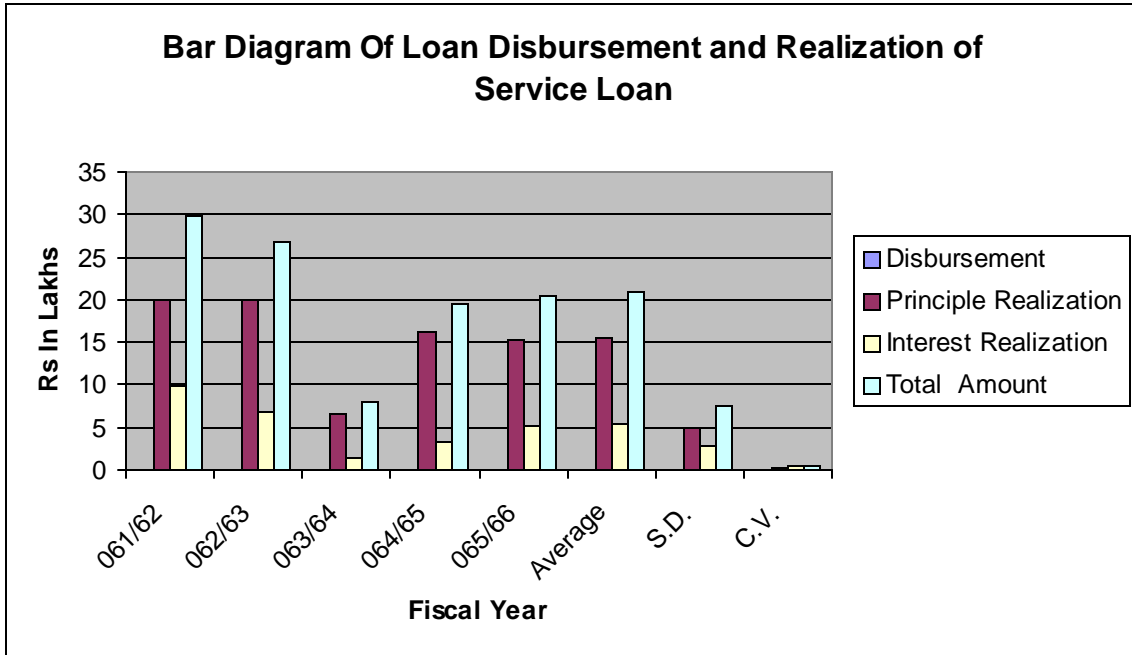


Figure N.4.31

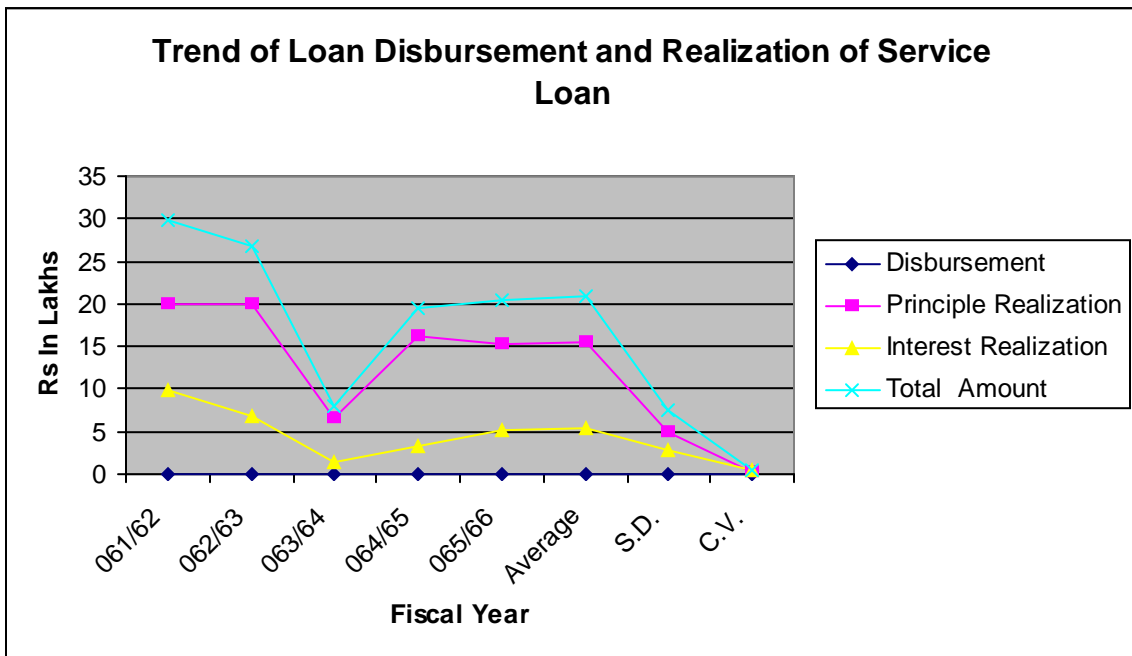


Figure N.4.32

4.1.17 Loan disbursement and realization of Overdraft loan

Table:-4.17

Loan disbursement and realization of Overdraft loan

A Case Study on Loan disbursement and realization of NBL

(Rs. In Lakhs)

FY	Disbursement	Principle Realization	Interest Realization	Total Amount
061/62	423.50	264.40	12.70	277.10
062/63	379.90	295.30	11.40	306.70
063/64	270.40	262.95	6.82	269.77
064/65	289.66	381.75	8.70	390.45
065/66	275.89	480.10	12.25	492.35
Average	327.87	336.9	10.38	347.27
S.D.	62.16	83.64	2.26	84.25
C.V.	18.96%	24.83%	21.72%	24.26%

Appendix:-A

In the above-mentioned table, it is cleared that the highest and lowest loan disbursement of overdraft in study period are Rs.423.50 lakhs in FY 061/62 and Rs.270.40 lakhs in FY 064/65. And the highest and lowest realization of principle are Rs.480.10 lakhs in FY 065/66 and Rs.262.95 lakhs in FY 062/63, whereas interest are Rs.12.70 lakhs in FY 061/62 and Rs.6.82 lakhs in FY 063/64. Which gives the highest and lowest total amount realization is Rs.492.35 lakhs in FY 065/66 and Rs.269.77 lakhs in FY 063/64 respectively.

The average loan disbursement of overdraft, realization of principle and interest and total amount realization are 327.87, 336.9, 10.38 and 347.27 respectively. From the table, it is also observed that the disbursement of overdraft loan of bank has been less fluctuating in the study period because S.D. and C.V. are 62.16 and 18.96% respectively.

Realization of principle of amount is less fluctuating than realization of interest amount during the study period because the S.D. and C.V. of realization of principle and interest are 83.64 and 24.83%, 2.26 and 21.72% respectively.

Similarly, the total amount realization of bank is less fluctuating than interest realization but all most same as principal realization, which explained through the S.D. and C.V., are 84.25 and 24.26% respectively. The above data can be explained through the following bar diagram and graph figure N. 34 and 35 respectively.

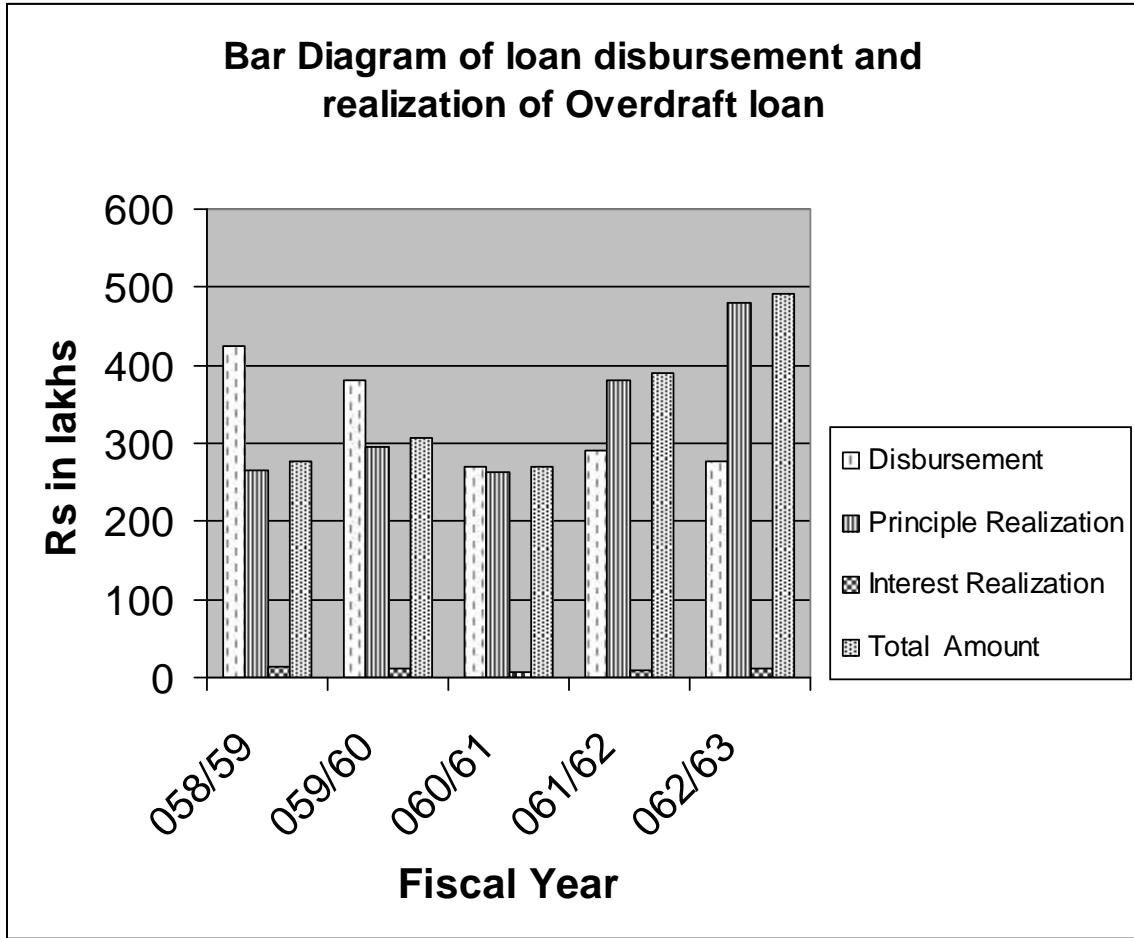


Figure N.4.33

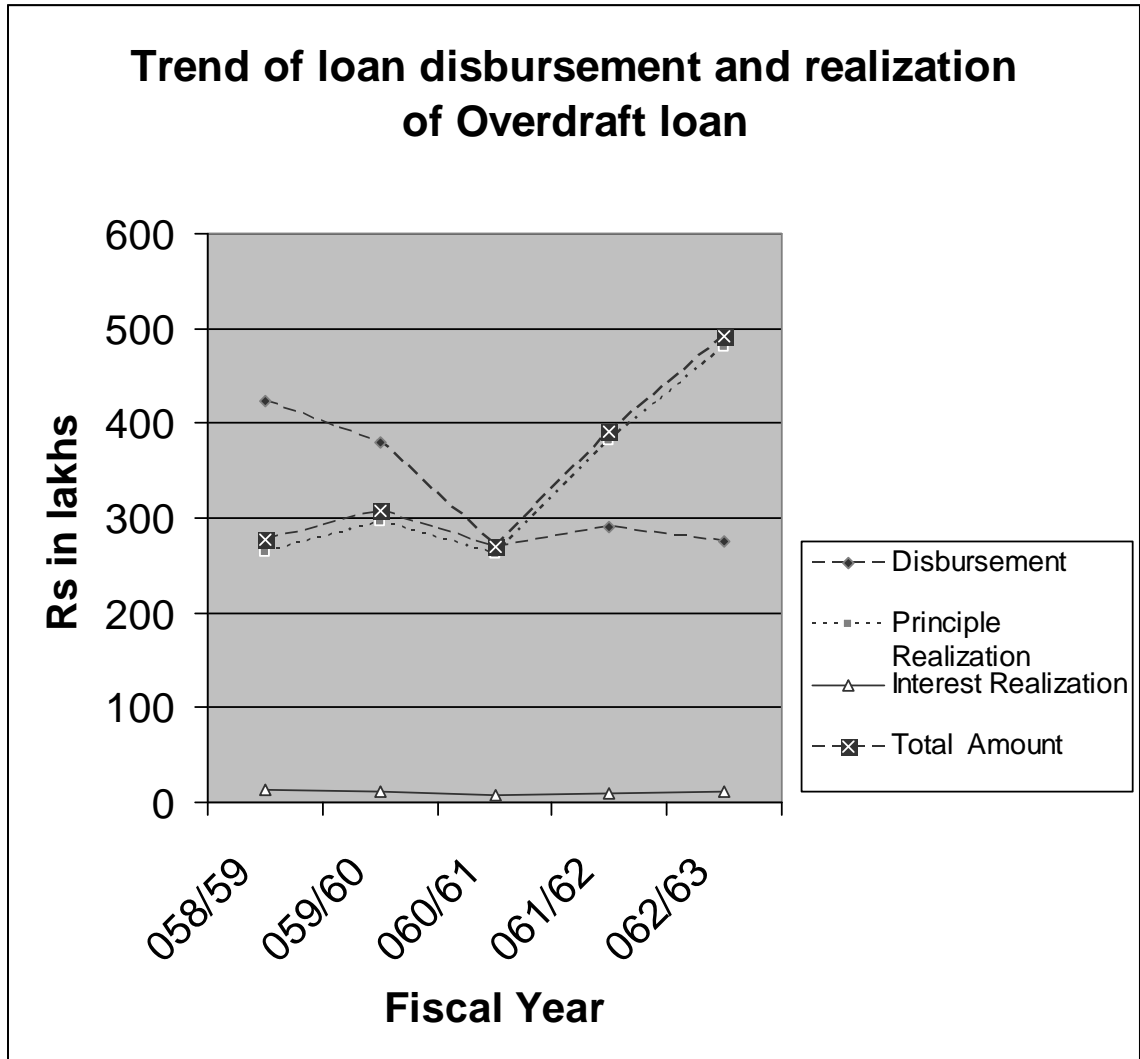


Figure N.4.34

4.2 Testing of hypothesis

4.2.1 Testing the target and actual loan disbursement

Null hypothesis $H_0: \bar{d} = 0$, i.e. there is no difference between the target and actual loan disbursement.

Alternative hypothesis $H_1: \bar{d} < 0$ (Left tailed test), i.e. the actual disbursement is more than target disbursement.

Level of significance = 5%

Degree of freedom = $n-1 = 5-1 = 4$

T-test (calculated) = 2.410

(See details in calculated for hypothesis – B in Appendix)

Tabulated value of t: At 5% = 2.132

Since, calculated value of t is more than tabulated value of t, the null hypothesis H_0 is rejected and H_1 is accepted. That is the actual loan disbursement is more than target disbursement.

4.2.2 Testing the target and actual loan realization

Null hypothesis $H_0: \bar{d} = 0$, i.e. there is no difference between the target and actual loan realization.

Alternative hypothesis $H_1: \bar{d} > 0$ (Right tailed test), i.e. the actual realization is less than target realization.

Level of significance = 5%

Degree of freedom = $n-1 = 5-1 = 4$

T-test (calculated) = 1.822

(See details in calculated for hypothesis – B in Appendix)

Tabulated value of t: At 5% = 2.132

Since, calculated value of t is less than tabulated value of t, the null hypothesis H_0 is accepted. That is there is no difference between target and actual loan realization.

4.2.3 Testing the target and actual realization of NPA

Null hypothesis $H_0: \bar{d} = 0$, i.e. there is no difference between the target and actual realization of NPA.

Alternative hypothesis $H_1: \bar{d} < 0$ (Left tailed test), i.e. the actual realization of NPA is more than target.

Level of significance = 5%

Degree of freedom = $n-1 = 5-1 = 4$

T-test (calculated) = 2.82

(See details in calculated for hypothesis – B in Appendix)

Tabulated value of t: At 5% = 2.132

Since, calculated value of t is more than tabulated value of t, the null hypothesis H_0 is rejected and alternative hypothesis is accepted. That is the actual realization of NPA is more than target.

4.2.4 Testing the cost of fund

Null hypothesis $H_0: \mu = 2\%$, i.e. the cost of fund is equal to 2% for this branch.

Alternative hypothesis $H_1: \mu < 2\%$, i.e. the population cost of fund is less than the cost of fund of this branch.

Level of significance = 5%

Degree of freedom = $n-1 = 5-1 = 4$

T-test (calculated) = 7.832

(See details in calculated for hypothesis – B in Appendix)

Tabulated value of t: At 5% = 2.132

Since, calculated value of t is more than tabulated value of t, the null hypothesis H_0 is rejected and alternative hypothesis is accepted. That is the population cost of fund is less than the cost of fund of this branch.

CHAPTER-FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The bank has successfully achieved the target of loan disbursement and realization. But in FY 061/612, the bank could not achieve the target of disbursement and similarly, in realization field the bank is lagging behind in FY 061/62 and 062/63. The trend of disbursement and realization shows that there is more fluctuation during the study period. The percentage of interest amount in respect of income is very high. The study shows that the interest amount is vary from 91% to 98% of total income. The disbursement of gold-silver loan is fluctuating than realization of total amount. The trend shows that bank's disbursement and realization is in downward. For the development of country, industrial growth plays very important role. So the bank has to disburse loan in this field. But the branch could not disbursed loan in the study period.

5.2 Conclusion

On the basis of observation during the research study period, the following major findings have been drawn:-

- Overall the bank has successfully achieved the target of loan disbursement and realization. But in FY 061/62, the bank could not achieve the target of disbursement and similarly, in realization field the bank is lagging behind in FY 061/62 and 062/63. The trend of disbursement and realization shows that there is more fluctuation during the study period.

- The objective of new management is to realize the NPA. The realization of this branch is more than target, which shows that the new management is effective for realization of NPA.

A Case Study on Loan disbursement and realization of NBL

- The percentage of interest amount in respect of income is very high. The study shows that the interest amount is vary from 91% to 98% of total income.
- Although the cost of fund for overall NBL is vary from 1.5% to 2%. But the study shows that the cost of fund is vary from 7% to 13% for this branch. The explicit cost shows that the branch is bearing high cost for accepting deposit.
- The disbursement of gold-silver loan is fluctuating than realization of total amount. The trend shows that bank's disbursement and realization is in downward.
- The branch is established for the main purpose of JCF, so high amount is disbursed and realized than other fields. But the trend of disbursement is high fluctuating than total realization.
- The disbursement of Hypothecation, public is highly fluctuating than total amount realization and this is high fluctuating field than others in study period. The trend explained that the disbursement and total amount realization are close to each other
- The position of disbursement and realization of pledge (Agriculture's warehouse pledge) is satisfactory.
- The fixed depositor can take loan from bank in against of fixed deposit and the position of disbursement and realization of such loan is equal. The trend shows that the disbursement is very less amount in FY062/63.
- The disbursement of loan is highly fluctuating than realization of project loan

- For the development of country, industrial growth plays very important role. So the bank has to disburse loan in this field. But the branch could not disburse loan in the study period.
- The branch gives facilities to depositor with overdraft. And the position of disbursement and Realization is less fluctuating than other loan. The loan disbursed and realization is more consistent than others.
- The rules of HMG's are forced to commercial bank for disbursement in agricultural field (3% of total disbursement) but the branch can not this percentage and has not disbursed in the study period.
-

5.3 Recommendations

- Still the branch is facing the problem of NPA. So management should give more focuses on realization of NPA.
- Approved such loan, which creates the income employment for other people also.
- The branch should disburse loan for industrial and agricultural field because these are most essential field for development of developing country like Nepal
- The process of loan should be based on feasibility report and the collateral should be physically available as paper.
- Although the income of this branch is good but due to high cost of fund the net profits decreases. So, the branch should decrease the cost fund through increase income from other service sector or decreases the administrative cost or accepting more amount in current account.

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Appendix-A

Appendix of target and actual performance of Bank

Appendix-I

Target and Actual Loan Approval

(Rs. in Lakhs)

FY	Target for Approval	Actual Approval	Increase/Decrease (%) on actual than target	Number of clients
061/62	1475	1571.15	0.62	42
062/63	5195	7051.50	35.74	109
063/64	4145	1925.62	(53.54)	78
064/65	5510	6519.53	18.32	96
065/66	6540	8365.89	27.92	64

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix - II

Target and Actual Loan disbursement

(Rs. In Lakhs)

FY	Target for disbursement	Actual disbursement	Increase/Decrease (%) on actual than target
061/62	4024	1571.15	(60.96)
062/63	5000	7051.50	41.03
063/64	1370	1925.62	40.41
064/65	5325	6519.53	29.94
065/66	6232	8365.89	34.24

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix – III

Target and Actual Loan Realization

(Rs. In Lakhs)

FY	Target for Realization	Actual Realization	Increase/Decrease (%) on actual than target
061/62	3534	2377.85	(32.72)
062/63	6201	5744.14	(7.4)
063/64	6349	7225.13	13.8
064/65	6850	7124.06	4
065/66	7568	8614.89	13.83

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix – IV

Target and Actual Realization of NPA

(Rs. In Lakhs)

FY	Target for Realization	Actual Realization	Increase/Decrease (%) on actual than target
061/62	175	199.63	14.07
062/63	159	170.60	7.30
063/64	180	215.15	19.53
064/65	192	241.59	25.83
065/66	190	188.28	(1.94)

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix – V

**Income statement of NBL
For the year ended 06/1/62**

Particular	Amount (Rs)	Amount (Rs)
Incomes:-		
Interest from Loan		32703559.85
Commission from Bill	253004.20	
Commission from Draft	325667.19	
Other commission	188078.22	
Other income	93708.64	860458.25
Total Income		33564018.10
Expenses:-		
Administrative expenses	3320549.65	
Others expenses	185336.12	
Interest expenses	28419544.55	
Total expenses		31925430.32
Net Profit		1638587.78

Source: - Loan Department of NBL, (JCF, Compound, Janakpur

Appendix – VI

**Income statement of NBL
For the year ended 06/2/63**

Particular	Amount (Rs)	Amount (Rs)
Incomes:-		
Interest from Loan		20674589.57
Commission from Bill	362435.20	
Commission from Draft	295244.90	
Other commission	201252.40	
Other income	82232.83	941165.33
Total Income		21615754.90
Expenses:-		
Administrative expenses	5296902.58	
Others expenses	122187.03	
Interest expenses	14836168.72	
Total expenses		20255258.63
Net Profit		1360496.27

Source: - Loan Department of NBL, (JCF, Compound, Janakpur

Appendix – VII

**Income statement of NBL
For the year ended 06/3/64**

Particular	Amount (Rs)	Amount (Rs)
Incomes:-		
Interest from Loan		17843806.53
Commission from Bill	266629.90	
Commission from Draft	144885.82	
Other commission	222037.35	
Other income	177788.74	811341.81
Total Income		18655148.34
Expenses:-		
Administrative expenses	2230559.14	
Others expenses	124660.60	
Interest expenses	14372076.85	
Total expenses		16727296.59
Net Profit		1927851.75

Source: - Loan Department of NBL, (JCF, Compound, Janakpur

Appendix – VIII

**Income statement of NBL
For the year ended 064/65**

Particular	Amount (Rs)	Amount (Rs)
Incomes:-		
Interest from Loan		13748621.29
Commission from Bill	208488.19	
Commission from Draft	223718.37	
Other commission	809711.79	
Other income	125960.63	1367878.98
Total Income		15116500.27
Expenses:-		
Administrative expenses	4596746.91	
Others expenses	78922.55	
Interest expenses	6857033.30	
Total expenses		11532702.76
Net Profit		3583797.51

Source: - Loan Department of NBL, (JCF, Compound, Janakpur

Appendix – IX

**Income statement of NBL
For the year ended 065/66**

Particular	Amount (Rs)	Amount (Rs)
Incomes:-		
Interest from Loan		21080772.93
Commission from Bill	375470.77	
Commission from Draft	230614.64	
Other commission	150707.03	
Other income	90479.86	847272.30
Total Income		21928045.23
Expenses:-		
Administrative expenses	4875910.84	
Others expenses	16750.23	
Interest expenses	13896172.42	
Total expenses		18788833.49
Net Profit		3139211.74

Source: - Loan Department of NBL, (JCF, Compound, Janakpur

Appendix - X

Cost of Fund

(Rs. In lakhs)

FY	Explicit cost (%)	Implicit cost (%)	Total cost (%)
061/62	$284.196/2936.7 * 100 = 9.67$	$350.59/2936.7 * 100 = 1.19$	10.86
062/63	$148.4/1548.10 * 100 = 9.58$	$54.20/1548.10 * 100 = 3.5$	13.08
063/64	$143.7/1624.7 * 100 = 8.85$	$23.6/1624.7 * 100 = 1.5$	10.35
064/65	$68.6/1758.7 * 100 = 3.9$	$46.76/1758.7 * 100 = 2.7$	6.60

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065/66	$138.9/1860.4*100=7.5$	$48.93/1860.4*100=2.6$	10.10
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Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix:-XI

Loan Investment and Realization Statement of FY 061/62

Title	Investment	Principal Realization	Interest Realization
Gold-Silver	11039758	8860342.98	2124061.73
Hypothesis (JCF)	102421381.10	171178867.15	23965045.50
Hypothesis (public)	2001959.69	1904901.88	817118.15
Pledge:-			
Merchant of Agricultural product	6929258.16	6658513.04	1663348.21
Others	2475000	1565750.90	430500.40
Loan against FD	770352.26	288583.65	86404.61
Project loan	3320000	1588000	649867.10
Agricultural loan	-----	1233893.05	371028.25
Industrial loan	-----	1525495.10	556439.40
Service	822441.35	612371.05	265305.10
Overdraft	27335021.5	42368004.30	1774441.40
Total	157115172.10	237784723.10	32703559.85

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix:-XII

Loan Investment and Realization Statement of FY 062/63

Title	Investment	Principal Realization	Interest Realization
Gold-Silver	7009005.36	7677132.56	2549083.90
Hypothecation (JCF)	634970857.50	479889637.89	4619006.74
Hypothecation (public)	6005577.95	3564210.20	1598189.76
Pledge:-			
Merchant of Agricultural product	7724544	45270794.42	4636386.40
Others	4950000	3234842.20	1896070
Loan against FD	930000	425890.98	162668.80
Project loan	1177461	2015831.62	1019241.36
Agricultural loan	-----	1672829.46	995968.56
Industrial loan	-----	2220439.20	1239213.60
Service	-----	2005186.42	988409.31
Overdraft	42345035.5	26437355.60	1270351.10
Total	705112481.30	574414150.50	20674589.57

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix:-XIII

Loan Investment and Realization Statement of FY 063/64

Title	Investment	Principal Realization	Interest Realization
Gold-Silver	8074780	10492890	1991434.60
Hypothesis (JCF)	136336116.10	664664133.96	9694639.80
Hypothesis (public)	2435756.20	2841012.06	1422035.51
Pledge:-			
Merchant of Agricultural product	4520125	6400809	295771
Others	1517420.50	1862850	351857.88
Loan against FD	1147000	962771.27	122928.76
Project loan	345118.81	378384.54	245503
Agricultural loan	000.00	1157402.27	535437.30
Industrial loan	000.00	2222617.69	1373355.69
Service	000.00	1998169.42	671292.90
Overdraft	37985001	29532308.50	1139550.09
Total	192361319.10	722513348.70	17843806.53

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix:-XIV

Loan Investment and Realization Statement of FY 064/65

Title	Investment	Principal Realization	Interest Realization
Gold-Silver	1805100	6144375	219092.61
Hypothecation (JCF)	650320444.10	659154702.40	8134969.19
Hypothecation (public)	8539828.78	8345040.24	1177593.68
Pledge:-			
Merchant of Agricultural product	1222493.25	1571118.25	215691
Others	2614857.56	6376842.70	1467360.70
Loan against FD	56000	563872.61	119822.33
Project loan	1454643.09	2059837	1371471
Agricultural loan	000.00	1074425.83	181264.90
Industrial loan	000.00	171032.93	29144.09
Service	000.00	649548.93	150640.49
Overdraft	27039280.24	26295395.28	681571.13
Total	691952647	712406191.20	13748621.29

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix:-XV

Loan Investment and Realization Statement of FY 065/66

Title	Investment	Principal Realization	Interest Realization
Gold-Silver	000.00	3025380	586615
Hypothecation (JCF)	752880852.20	773392620.29	5828783.65
Hypothecation (public)	51100561.93	40416174.27	11079561.48
Pledge:-			
Merchant of Agricultural product	000.00	000.00	30000
Others	1000000	000.00	64884.65
Loan against FD	1012000	846828.36	117649.69
Project loan	1629123.63	1963354.66	1060423.17
Agricultural loan	000.00	1077761.63	232932.57
Industrial loan	000.00	964188.95	889167.95
Service	000.00	1627442.45	321784.37
Overdraft	28965677.91	38174768.75	868970.40
Total	836588215.70	861488519.30	21080772.93

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix - XVI

**Balance sheet of NBL
For the year ended 06/1/62**

Liabilities	Amount	Assets	Amount
Deposit:-		Cash Balance	11096450.33
Current Account	13049980.27	Foreign currency	2860800
Saving Account	139359588.17	Agency of NRB	5513826.42
Fixed Account	21258590	Agency of RBB	000.00
Margin	27160	Agency of foreign B	1038092.68
Misalliances Deposit	309130.98	Loan investment	141607458.36
Sundry creditors	329747.63	Overdraft	445573.62
Outstanding Interest	14682027.33	Advance to staff	6607141.96
Credit from city office	187215134	Balance of stationary	147702.61
Credit from head office	304345842.10	Sundry debtors	546794.27
Bill for collection	40572792.21	Payment of draft	37783432.19
Reserve for staff's medicine	370027.10	Prepaid	429416.32
Liabilities against Guarantee	1764700	Accrued income	40780113.41
Outstanding other ex.	4209782.15	Library	67.11
Reserve for loan	193468110.99	Transferred to HO	670812568
Net profit	1638587.78	Guarantee of customer	1764700
		Ministry of security	1167063.39
Total Liabilities	922601201.60	Total Assets	922601201.60

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix - XVII

**Balance sheet of NBL
For the year ended 062/63**

Liabilities	Amount	Assets	Amount
Deposit:-		Cash Balance	9779394.31
Current Account	7129006.20	Foreign currency	1457820
Saving Account	128436408.36	Agency of NRB	40670948.35
Fixed Account	19182290	Agency of RBB	000.00
Margin	52414	Agency of foreign B	601772.89
Misalliances Deposit	181928.43	Loan investment	117119328.30
Sundry creditors	264230.10	Overdraft	378671.03
Outstanding Interest	19892303.87	Advance to staff	5895060.14
Credit from city office	187215134	Balance of stationary	207144.53
Credit from head office	410019749	Sundry debtors	518799.62
Bill for collection	39232889.51	Payment of draft	38156576.70
Reserve for staff's medicine	199857.96	Prepaid	1262140.02
Liabilities against Guarantee	1025621	Accrued income	39413163.51
Outstanding other ex.	4556166.96	Library	57.93
Reserve for loan	13370399.17	Transferred to HO	573449635.22
Net profit	1360496.27	Guarantee of customer	1500000
		Ministry of security	1708382.04
Total Liabilities	832118894.60	Total Assets	832118894.6

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix - XVIII

**Balance sheet of NBL
For the year ended 06/3/64**

Liabilities	Amount	Assets	Amount
Deposit:-		Cash Balance	10712860.35
Current Account	10542221.65	Foreign currency	2680080
Saving Account	137389726.23	Agency of NRB	52454302.26
Fixed Account	14507210.81	Agency of RBB	000.00
Margin	33416	Agency of foreign B	1074142.28
Misalliances Deposit	469380.71	Loan investment	137470378.21
Sundry creditors	591210	Overdraft	1145286.46
Outstanding Interest	26088496.66	Advance to staff	4986125.18
Credit from city office	187215.34	Balance of stationary	247067.62
Credit from head office	676384045.81	Sundry debtors	136483.46
Bill for collection	41057302.53	Payment of draft	48947266.72
Reserve for staff's medicine	000.00	Prepaid	1004037.76
Liabilities against Guarantee	65742.69	Accrued income	41213351.19
Outstanding other ex.	482316	Library	50.27
Reserve for loan	18847945.41	Transferred to HO	624205302.82
Net profit	1927851.75	Transfer of money	1000000
		Guarantee for customer	1297347.04
Total Liabilities	928574081.60	Total Assets	928574081.60

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix - XIX

**Balance sheet of NBL
For the year ended 06/65**

Liabilities	Amount	Assets	Amount
Deposit:-		Cash Balance	41826661.95
Current Account	6930696.16	Loan investment	1135653873
Saving Account	156917760.42	Fixed Assets	135379.42
Fixed Account	12012086.46	Accrued income	29537141.30
Margin	10500	Balance of stationary	276073.31
Reserve for staff's medicine	28461.37	Advance to staff	4614826.16
Reserve for Bad debt	27255003.51	Sundry debtors	93139807.49
Outstanding interest	29652422.63	Payment of draft	879437.13
Outstanding tax	12159.01		
Outstanding other ex.	421906.42		
Credit from HO (new)	401939367.19		
Credit from HO (old)	667299039.30		
Net profit	3583797.51		
Total Liabilities	1306063200	Total Assets	1306063200

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix - XX

**Balance sheet of NBL
For the year ended 065/66**

Liabilities	Amount	Assets	Amount
Deposit:-		Cash Balance	13656268.40
Current Account	10401834.97	Loan investment	502463911.35
Saving Account	156890659.61	Fixed Assets	128936
Fixed Account	9390662.06	Accrued income	31701225.05
Margin	44459	Balance of stationary	65873
Reserve for staff's medicine	35576.07	Advance to staff	3566824
Reserve for Bad debt	29038067.26	Sundry debtors	82734117.57
Outstanding interest	31773863.54	Payment of draft	73985.69
Outstanding tax	22484.85		
Outstanding other ex.	1421943.49		
Credit from HO (new)	392162388.20		
Outstanding insurance premium	69990.70		
Net profit	3139211.74		
Total Liabilities	634391141.15	Total Assets	634391141.15

Source: - Loan Department of NBL, (JCF, Compound, Janakpur)

Appendix-B

Calculation for hypothesis

Appendix – I

1. Target and actual loan disbursement

Target for disbursement (X)	Actual disbursement (Y)	d (Y - X)	d ²
4024	1571.15	-2452.85	6016473.12
5000	7051.50	2051.5	4208652.30
1370	1923.62	553.62	306495.10
5325	6919.53	1594.53	2542525.90
6232	8365.89	2133.89	4553486.50
		d = 3880.69	d ² = 17627632.8

$$\bar{d} = \frac{\sum d}{n} = \frac{3880.69}{5} = 776.14$$

$$S_d = \frac{\sum d^2 - (\sum d)^2/n}{n-1}$$

$$S_d = \frac{1}{5-1} [17627632.8 - (3880.69)^2/5]$$

$$= 1911.52$$

$$t = \frac{\bar{d}}{s_d / \sqrt{n}}$$

$$0.908$$

Appendix - II

2. Target and actual loan realization

Target for realization (X)	Actual realization (Y)	d (Y - X)	d ²
3534	2377.85	-1156.15	1336682.82
6201	5744.14	-456.86	208721.10
6349	7225.13	876.13	767603.80
6850	7124.06	274.06	75108.90
7568	8614.89	1046.89	1095978.70
		d = 584.07	d ² = 3484095.32

$$\bar{d} = d/n = 584.07/5 = 116.814$$

$$S_d = \frac{1/n - 1 [d^2 - (\bar{d}^2/n]}{}$$

$$S_d = \frac{1/5 - 1 [3484095.32 - (584.07)^2/5]}{}$$

$$= 924.10$$

$$t = \bar{d} / s_d / \sqrt{n}$$

$$0.283$$

Appendix - III

3. Target and actual loan realization

Target for realization of NPA (X)	Actual realization (Y)	d (Y - X)	d ²
175	199.63	24.63	606.64
159	170.60	11.60	134.56
180	215.15	35.15	1235.52
192	241.59	49.59	2459.17
190	188.28	-1.72	2.96
		d = 119.25	d ² = 4438.85

$$\bar{d} = \frac{\sum d}{n} = \frac{119.25}{5} = 23.85$$

$$S_d = \frac{1}{n-1} \left[\sum d^2 - \frac{(\sum d)^2}{n} \right]$$

$$S_d = \frac{1}{5-1} \left[4438.85 - \frac{(119.25)^2}{5} \right]$$

$$= 19.97$$

$$t = \frac{\bar{d}}{S_d / \sqrt{n}}$$

$$= 2.67$$

Appendix - IV

4. Cost of fund

Cost of fund (X)	X ²
10.86	117.94
13.08	171.09
10.35	107.12
6.60	43.56
10.10	102.01
X = 50.99	d ² = 541.72

$$\begin{aligned} \bar{X} &= \sum X/n \\ &= 50.99/5 \\ &= 10.198 \end{aligned}$$

$$S_d = \frac{1}{n-1} [\sum X^2 - (\sum X)^2/n]$$

$$S_d = \frac{1}{5-1} [541.72 - (50.99)^2/5]$$

$$= 2.33$$

$$t = \frac{(\bar{X} - \mu) / S}{\sqrt{n}}$$

$$= 7.867$$

Appendix -C

Willful defaulters of Nepal Bank Limited

Group	Name of customer/proprietor	Total debt	Debt	Debt per
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A Case Study on Loan disbursement and realization of NBL

		outstanding (Rs.In cror)	per NBL share NRS.	Nepali citizen NRS
Amatya	<u>The fulbari Limited, Mount Everest Brewery Pvt., Nepal steel Pvt. Ltd.</u> (Daman B. Amatya, Piyush B. Amatya Krishna B. Amatya, Binod B. Amatya, Ganga Amatya, Antu Shrestha)	218.22	573.68	94.26
L.P. Acharya	<u>Bagamati Unidhago, Bagmati Apparels, Radhika Handicrafts and others</u> (Laxmi p. Acharya, Bharat Koirala, Bhupal Tamang, Krishna P. Luetel, Moti uprety, Pulikar Rabindran, Bratat Raj koirala, Rudra pd. Bhattarai, Devi paudel)	35.35	92.24	15.27
Vasuling Sugar	<u>Vasuling Sugar & General Industries Ltd.</u> (Arun Chand, Arun Malla, Bijay K. Goyal, Harka B Chand, Sushil Rana, Rajendra B. Chand, Ganesh Dutta Bhatta)	44.23	116.27	19.10
Mohan Sahani Group	<u>Fair Deal international, Gorakhkali Garment, sai Baba Bidhya Garment</u> (Mohan Sahani, Manoj K. Pandit, Binod shahi, Basu Dev) Name of customer/proprietor	27.62	72.61	11.93
		Total debt outstanding (Rs.In cror)	Debt per NBL share	Debt per Nepali citizen NRS

A Case Study on Loan disbursement and realization of NBL

			NRS.	
B.P. Lohani	<u>Biswas Readymade Garment, Biswas Enterprises, Biswas Land & Housing and Others</u> (Bijaya P. Lohani, Mahendra P. Gartaula Mrs. Kalpana Lohani, Anil Sharma Suman Aryal, Rabin Raj Pandey, Keshab p. Bhattarai)	21.15	55.51	9.12
Dhanawat	<u>Om Enterprises, Mayur Biscuit industry and others</u> (Hari P Dhanawant, Manju Devi Dhanawant, Kishan K. Dhanawant, Pushpa Devi Dhanawant)	9.46	24.87	4.09
Chandika Distillery	<u>Chandika Distillery</u> (Ravi K.C., Sharadha K.C., Manju Devi Dhanawant)	5.86	15.40	2.53
NK Sarraf	<u>Kumar Cycle Pvt. Ltd., Saka International, Sitara Enterprises and Others</u> (Niranjan K. Sarraf, Sarita Kumari Sarraf, Sharada Kumari Sarraf)	18.54	48.73	8.01
Khatri & Company	<u>Khatri & Company</u> (Kalyan Raj K.C. Sobha K.C.)	12.31	32.37	5.32
Group	Name of customer/proprietor	Total debt outstanding (Rs.In cror)	Debt per NBL share	Debt per Nepali citizen NRS

A Case Study on Loan disbursement and realization of NBL

			NRS.	
PKSK	<u>Ganesh Modern Dal Mill, Solvex Nepal</u> <u>and others</u> (Shanti K. Agrawal, Padam K. Agrawal, Narayan Todi, Yagya Bikram Shah)	13.51	35.51	5.83
Annapurna Textiles	<u>Annapurna Textile Industries</u> (Anil K. Jatiya, Puspa Devi Jatiya Ramesh K. Nematiya)	13.40	35.22	5.79
Jain	<u>Jain Impex, Lalbani & Company, Jinex</u> <u>International & others</u> (Anil K. Lalbani, Khen chand Jain Bimala Jain, Bipul K. Jain)	8.56	22.49	3.70
Pawan Khanal	<u>Nepothikems Industries, Blow Modlers,</u> <u>Tea Makers Pvt. Ltd Tri Shakti Soap &</u> <u>Chemicals</u> (Pawan Khannal, Anata K. Khannal, Umesh Shrestha, Prakash Serchan, Om Gurung)	11.57	30.41	5.00
Damadar sharma	<u>Guheshwori Wax Match Industry, R &</u> <u>D Chemicals, R & D Stationary, R & D</u> <u>Enterprises</u> (Dhanaraj Sharma, Damodar Sharma, Ramesh K. Sharma)	5.61	14.74	2.42
Himgiri textile	<u>Himgiri Textile Industry</u> (Rahual Agrawal, Raj K. Agrawal, Sabita Agrawal, Sushil K umar)	8.39	22.05	3.62
Group	Name of customer/proprietor	Total debt outstanding (Rs.In cror)	Debt per NBL share	Debt per Nepali citizen NRS

A Case Study on Loan disbursement and realization of NBL

			NRS	
Kishor Khanal	<u>Entepe Foods Ind. Ltd., Nepal Tooth Product, Kitini Carpet</u> (Kishor K. Khanal, Kailash K. Khanal Shaurabh K. Khanal)	5.69	14.97	2.42
Bansidhar Industries	<u>Bnsidhar Industries</u> (Sushil Shamsher, Chandra Kala Achal Rana)	23.76	62.46	10.26
GB Shahi	<u>Himalayan Brewery Limited, Trishakti Distillery</u> (Kumal Mohan B. Shahi, Gopal B. Shahi, Prakash B. Shahi)	5.71	15.02	2.47
Chamund-a Chalachitra-a	<u>Chamunda Chalachitra Mandir</u> (Bishwo K. Thapa, Krishna Singh Thapa, Shailesh Singh Thapa)	5.28	13.89	2.29
Ma Nalini eletrode	<u>Ma-Nalini Electrode Pvt. Ltd</u> (Sunil Nath Rimal, Archana Devi Rimal, Sunjay Mani Acharya Dixit)	4.41	11.59	1.90
Bijaranga Talkies	<u>Bijaranga Talkies</u> (Ramananda P. Chaudhari, Nifula Chaudhari, Punam)	3.72	9.78	1.61
BT Nirma	<u>B.T. Nirma Sewa Pvt. Ltd.</u> (Madhav P. Bhandari, Yadab P.Pokharel)	6.69	17.59	2.89
Group	Name of customer/proprietor	Total debt outstanding (Rs.In cror)	Debt per NBL share	Debt per Nepali citizen NRS

A Case Study on Loan disbursement and realization of NBL

			NRS	
Prabin Carpet	<u>Prabin Carpet Industries</u> (Basanta Babu Khadka)	3.26	8.56	1.41
Goyal	<u>Koshi poly plastic, Nepal Polythene, Robin Plastic etc.</u> (Bhawani Shankar Goyal, Manish Goyal)	2.15	5.66	0.93
Khumbu Constructi-on	<u>Khumubu Construction Pvt. Ltd., Khumubu Sagar Kailash</u> (Karma Lama, Tenzing Gayalzen Lama, Nima Gayalzen Lama)	3.77	9.91	1.63
Janaki Brick	<u>Janaki Brick Factory</u> (Himalay Dawadi)	2.88	7.58	1.25
Jaya Bhawani Rice Mill	<u>Jaya Bhawani Rice Mill</u> (Jeevan Ratna Gautam)	1.86	4.89	0.80
Baba Umbrella	<u>Baba Umbrella Industry, Agrawal Impex, Mira Plastic and others</u> (Shambhu P. Agrawal, Mrs. Laxmi Devi Agrawal)	3.05	8.01	1.32
Ganapati Kastha Udhyog	<u>Ganapati Kastha Udhyog</u> (Surendra B. Nakarmi, Tara Devi Nakarmi, Sunita Nakarmi)	2.12	5.59	0.92
Rohit	<u>Bagmati Khadsari Sugar Mill Pvt. Ltd., Rohit Brothers, Triveni Distillery etc.</u> (Lal P. Shrestha, Rohit Shrestha)	45.37	119.3	19.60
Group	Name of customer/proprietor	Total debt outstanding (Rs.In cror)	Debt per NBL share	Debt per Nepali citizen

A Case Study on Loan disbursement and realization of NBL

			NRS	NRS
Hotel Sita	<u>Hotel Sita Pvt. Ltd.</u> (Dibya K. Shrestha, Beshu K. Rana Sita Devi Shrestha, Anju Devi Shrestha, Nirmala Ghimire)	1.47	3.87	0.64
Kashinath	<u>Patwari Traders, Balaji Palasti Udyog,</u> <u>Dakshinakali Rice Mill</u> (Kashi Nath Agrawal, Sushma Agrawal, Uttam Agrawal, Puja Agrawal, Sanjay Agrawal)	5.81	15.28	2.51
	Sundry Defaulters	1493.22	3926	644.99
	Total	2074.00	5453	895.86

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