CHAPTER - I
INTRODUCTION

1.1 Development of Banking in Nepal

Banking institutions are the first organ of financial market. The history of modern banking is not so long in Nepal but we find the existence of traditional banking system from ancient days.

In Nepal, modern banking was germinated with the establishment of Nepal Bank Limited (NBL) in 1937A.D (1994 B.S), the first commercial bank in the country; It provided important assistance to public and government in collecting deposit and disbursing credit. It extended its transaction in other cities of the country. Then, Nepal Rastra Bank (NRB) act was issued in 2012 B.S after the establishment of NRB, Nepal Bank Limited, which was taking the responsibility in the form of government bank, became pure commercial bank.

In order to monetarize the rural areas and to bring fastest growth in the field of industry, commerce and business, Rastriya Banijya Bank, the second commercial bank was set up in 1966A.D (2022 B.S) in the full ownership of government. It extended its branches al over the country. Until 1983 A.D, only two commercial banks were operating in the country. In the process of financial reform initiated in early 1980s, a policy to allow joint venture banks with external collaboration was adopted in 1984 so as to attract modern technology and management into the banking sector. As a result, Nepal Arab Bank Limited, the first joint venture bank was established in 1984 A.D. Subsequently, the Nepal Indo-Suez Bank Limited and the Nepal Grindlays Bank Limited were also set up in 1986 and 1987 A.D respectively. With the establishment of The Himalayan Bank Limited in 1992, Nepal SBI Bank Limited and Nepal Bangladesh Bank Limited in 1993, Everest Bank Limited and Bank of Kathmandu Limited in 1994 and Bank of Ceylon Limited in 1996, a total of 11 commercial banks were in operation by mid July 1997, end of the Eighth Five year plan. Over the Ninth Five-year plan period, another five commercial

banks (Lumbini Bank, Nepal Industrial and Commercial Bank, Machhapuchhre Bank, Kumari Bank and Laxmi Bank) were also set up. During the first year of the Tenth Five-year plan period one more commercial bank namely the Siddhartha Bank Limited was established. Thus by mid July 2003, the number of commercial banks operating in the country reached 17.

Though the banks are increasing in number, the banking service per person is very low. Due to various problems of Banking in Nepal, Banks are not able to perform activities as expected. Those problems are strong unorganized sector and red tapism in banks, weak position and unhealthy competition, government interference, lack of research, training and development, weaknesses of Nepal Rastra Bank, lack of coordination, lack of trained manpower, fluctuating policy of NRB, centralization of banks only in urban areas, lack of reform programs etc.

Commercial banks play vital role for the economic upliftment of least developing countries (LDCs) like Nepal. It performs various activities like collection of deposit for capital formation, investment in industries, business, agriculture and consumers, investment for employment generation, work as subordinate of monetary policy etc. After 2040 B.S joint venture banks came into existence. Then joint venture banks are increasing in number in urban areas. The growth of commercial banks in Nepal started from Nepal Bank Limited, Rastriya Banijya Bank, Agriculture Development Bank to Joint Venture Banks. Generally it is observed that commercial banks are doing progress not only in quantitative manner but also in qualitative front. Extension of branches and sub branches in the various parts of the country is the indication of quantitative progress whereas foreign exchange, export financing, internal payment, guarantee, management reform, computerization etc are the indicators of qualitative progress.

Rural area covers 80 percent part of the country. The commercial banks are extending their branches only in urban areas but to open branches in rural areas in a very challenging part. Since last few years, security threat has been increasing in commercial banks operated in rural areas. The numbers of branches of commercial banks are

decreasing day by day which is a matter of great worry. There is still the possibility of establishment of some joint venture banks in urban areas of Nepal. Nepal Rastra Bank is making deep study to know the number of commercial banks needed in Nepal. However, the situation for controlling the number of commercial banks has not come yet because in a competitive market, those banks that cannot compete will be closed automatically. A constructive environment should be created so that the trend of opening banks only in the capital gets discouraged and banks will be established all over the country.

In Nepal, commercial banks are not able to extend their branches in comparison to the ratio of their quantitative growth. 105 branches of RBB and NBL were established until 2030 B.S After 10 years or in 2040 B.S, they extended their branches to as many as 325. But during 2057, it is observed that commercial bank rose to 13 in number but their branches unlike NBL and RBB because of the various reasons such as due to low risk and high profit in urban area, security threat in rural areas, lack of inspiration to establish commercial banks in rural areas and due to narrow commercial business and financial transaction in rural areas.

The economic growth of the country has been adversely affected due to deteriorating situation of law and order, frequent strikes in the country. Since the banking sector is one of the major components of the whole economic system, it cannot remain free from such unfavorable activities.

However in the country like Nepal, it is the matter of pride that commercial banks are growing day by day. Despite various problems faced by banks during their operation, they are making an enormous effort to uplift the economy of Nepal

1.2 Introduction to Agriculture Development Bank in Nepal

Agriculture Development Bank Nepal (ADB/N) was established in 1968 under the ADB/N Act 1967 with the main objective of providing institutional credit for enhancing the production and productivity of the agricultural sector in the country. Co-operative Bank established in 1963 under the co-operative Bank Act 1963. This bank was

commenced to care the credit needs of the co-operative societies. Thus, lending operation for agricultural purposes of this Bank was limited because there was no provision for extending loans to individual farmers outside the co-operatives. In 1966 under the corporation Act, Land Reform Savings Corporation (LRSC) was established as a part of land reform program launched by HMG in 1964. The fund of LRSC was collected by ward committees. It didn't have its own share capital. The corporation used to provide loan to the farmers through village wada committees. Its main objective was to mobilize the compulsory savings generated at the village levels and provide agricultural credit to the needy ones.

Both of these institutional credit arrangement had limited agricultural financing scopes. As a result, the Government in 1968 initiated the Agricultural Development Bank under the Agricultural Development Bank Act 1967 inheriting the assets and liabilities of the co-operative Bank. The ADB/N so focused on the agricultural credit massively accessible to the rural community. Later on, realizing the fact that LRSC was doing parallel and same function of Agricultural Development Bank in the field of agricultural financing, LRSC was merged with ADB/N in 1973 in order to remove a problem of further possibility of dual and over financing.

In 1975, Small Farmers Development Program (SFDP) was initiated for financing small farmers on group liabilities. This program's main objective is to boost up the socio-economic condition of rural people. In 1984, the amendment of the Act also permitted ADB/N to extend its wing in commercial banking activities so as to mobilize urban resources in the rural areas of the country. In 1993, ADB/ N initiate farmers' co-operative approach by transferring SFDP into the Small Farmers Co-operative Limited (SFCL). ADB/N is a sole financial institution in the country executing its activities by three major windows namely Development Financing, Commercial Banking and Small Farmers Development through these sectors it is contributing majority of institutional credit to the rural areas by strengthening its network in all the geographical regions- the Mountains, the Hills and the Terai.

1.3 Focus of the Study

This study focuses on the loan investment and recovery practice of ADB/N. Loan is very essential for development of nation, to run business smoothly and agricultural areas. This study mainly focuses on managing the loan disbursement and collection practice of ADB/N in order to improve productivity and performance of ADB/N.

1.4 Statement of the Problem

Due to globalization and liberalization of economy, the number of commercial banks is increasing in Nepal. But the banking service per person is very low. Poorer or deprived sector of the economy is granted loan only due to the strict directives set by NRB. Banks are not easily accessible to the people of remoter and village areas because private banks are established mostly in the cities and capital of the country.

The main function of commercial bank is loan disbursement and collection. It is a very challenging task on the part of the bank because the bank has to disburse loan in the appropriate sector and recover it in time as well. In this competitive environment, it is very difficult to choose right and productive sector for granting loan. Hence, there is the chance of flowing bank's deposit in unproductive sector.

In Nepal, most of the farmers depend upon the nature for their crops, therefore, if the nature goes against their expectation then the yields of crops will be decreased which caused decrease in their income that leads to disability to repayment of loan in time. So this is the main problem of loan investment in the rural areas. Similarly, lack of use of modern technology and the necessary physical infrastructure are also the reasons of non payment of loan on time. Likewise the geographical situation of the country also leads to non payment of loan in time for example the product from rural areas couldn't get proper market to sell their products in time. we can't preserve those products for long time until the market is available. As bank generates new loan from repayment of loan by previous borrowers, it is not possible to generate more capital for further investment according to demand of needy people if old didn't pay on time. Sometime people take loan for one purpose and use it for another unproductive sector which doesn't generate any income and leads to non-payment of loan.

1.5 Objectives of the Study

This research is mainly concerned with the loan disbursement and collection of ADB/N. Main objectives are as follow:

a) To analyze the loan disbursement practice of ADB/N.

b) To evaluate the trend of loan investment and collection of ADB/N.

c) To analyze the relationship between targeted and actual loan investment and collection

1.6 Significance of the Study

This study is very significant to professionals, students, teachers, farmer, bank etc who want to know about the loan disbursement and collection aspect of a ADB/N. This research also may be valuable for the bank to overcome from its weakness, to alter and make new policies and strategies regarding loan collection and disbursement. This research also helps to farmers who want to approach bank for loan. Finally, it will also support the future researcher to do more research out of it.

1.7 Limitations of the Study

The main limitations of the study are as follows.

a. This study concerns with ADB/N

b. There are multiple functions of ADB/N but the study excluded all those function and only loan disbursement and collection function has been studied.

c. Data used in this study are of last 5 years, from 2060/61 to 2064/65 only.

d. Analysis is mainly based on collected secondary data and interview conducted. Hence, finding may depend on the reliable information and data provided by the bank.

1.8 Organization of the Study

The whole study has been designed into five chapters:

Chapter - I: Introduction

This chapter includes Development of banking in Nepal Introduction of Agriculture Development Bank, objectives of the study, focus of the Study statement of the problem, significance of the study and limitations of the study.

Chapter – II   Review of Literature

In chapter two, Literature related to this research are reviewed systematically as a preliminary search in order to generate and refine research ideas on loan disbursement and collection, credit/lending policy & collection procedure, lending documentation, loan approval process and lending conditions of ADB/N. For this, various publications of ADB/N, related text books, journals, magazines and past thesis are reviewed to have clear idea on research's subject matter.

Chapter – III   Research Methodology

In chapter three, research methodology, research design, such as statistical method of analyzing quantitative data and descriptive analysis for qualitative data are presented.

Chapter – IV   Presentation and Analysis of Data

In chapter four, Data are collected through personal interview of banks officers and farmers and the collected data are analyze and presented in relevant table and figures.

Chapter – V   Summary, Conclusion and Recommendations

In chapter five, analysis of data is performed. Finding obtain from analysis of data are presented and suggestions are given to make the loan disbursement & collection practice of ADB/N more effective & practical.

CHAPTER - II
REVIEW OF LITERATURE

A Literature review is a survey and discussion of the literature that helps to shape the theoretical position developed during the research project. In other word, it is the preliminary search where most of a research's sources are cited thoroughly to generate and refine ideas on loan investment and collection. Previous research studies that contributed to the field of research are reviewed critically to get information for this academic research proper.

To understand the loan disbursement and collection practice of ADB/N, some important literature like materials directly related to ADB/N, research on ADB/N and SFDP, various journals published by ADB/N and NRB, Internet websites, loan investment & collection manual, text book and past thesis are reviewed as a related literature. In this chapter, a concise introduction of ADB/N, loan disbursement & collection practices of ADB/N and research's relation with other previously published researches are mentioned separately.

2.1 Conceptual Framework

2.1.1 General Background

Agriculture is the backbone of our economy and it is main occupation of Nepalese farmers, therefore, our economy is mainly agriculture dominated. So without the agriculture development, we cannot develop our economy. There are so many factors like lack of irrigation; lack of improved seeds, lack of chemical fertilizers, lack of equipment, lack of technology etc affect Nepalese agriculture. Without sufficient finance, it is impossible to improve these factors, which result a decrease in agricultural product. To supply sufficient finance, the financial agencies are needed and there are many financial institutions in the financial market. Among, them one of the main source of finance is ADB/N. Actually, the main objective behind its establishment is to solve above mentioned problems that's why it is also called Bank of the Farmers.

Banks are expected to supply an adequate credit for all legitimate business and consumer to meet their financial need with competitively determined interest rates. "Indeed, making loans is the principal economic function of banks, to fund consumption and investment spending by businesses individuals, and units of government. How well a bank performs its lending function has a great deal to do with the economic health of its region, because loan support the growth of new business and jobs within the banks trade territory and promote economic vitality. Moreover, a bank loan often seems to convey positive information to the market place about borrower's credit quality, enabling a borrower to obtain more and perhaps some what cheaper funds from other sources *(Rose; 2002:517).*

An unavoidable of loan disbursement policy and its working method or procedure is regarded very important in banking sector/transaction. Under this, many subject matters like the policy of loan flow, loan administration, audit of loan, renewal of loan, the conditions of loan flow, the documents of loan flow, the provision of security, the provision of the payment of the capital and its interest and other such procedures which plays a vital role in healthy competitive activities are considered carefully.

"Nepalese bank's general characteristics are (a) a dependency on borrowing for expansion, (b) very little deposit mobilization (c) low level of profitability (d) insignificant profit retention (e) average to poor recovery of loans and interest income and (g) weak financial structure" *(Kunwar; 2003:249).*

2.1.2 Credit Policy of a Bank

In providing loans to its customer, a bank had to follow a sound credit policy and conduct the business of lending on the basis of certain sound principles. In other words a bank or any financial institute can disburse necessary amount to their borrowers and collect the entire disbursed amount in time if there is a good lending policy. Without effective and proper lending or credit policy no banks can accomplish its predetermined goals and objectives. The established credit policy normally speaks about the following components.

⟩ Safety of Funds: A banker deals with others money and its own common sense. It has to use that common sense to safeguard the money of others. Its first duty is to see that money, which it lends, comes back to him. The recovery of a bank's money will not only be safe at the time of lending but will remain so throughout.

⟩ Liquidity: A banker has to ensure that it comes by on demand or in accordance with agreed terms of repayment. Liquidity means short term solvency of the borrower. A banker is essentially the lender of short terms fund because he knows that the bulks on his deposit are repayable on demand or at short notice. So a bank should maintain his liquidity position.

⟩ Security: The credit policy should say what types of securities the bank wants to take and does not want to take. Traditionally, bankers have been security oriented. It must be ensured that the security when accepted must be adequate, readily marketable, easy to handle and free from encumbrance.

⟩ Purpose of loan: Nowadays, the purpose for which loans are granted had acquired precedence over the principle of security. If a loan is required for a non productive or speculative purpose, a banker will be reluctant to entertain the proposal. Loans for social function, ceremonies pleasure trips or for repayment of prior loans, are not favored by a banker as they are unproductive in nature.

⟩ Profitability: Any advance given, has to be profitable, otherwise banks can't run properly. In other words a bank should maintain its profitability while making a sound credit policy. Sometimes, the considered may not appear profitable in itself but may bring substantial deposits or to exchange business, which may be remunerative to a bank lending rates are affected by bank's internal policy like creating the borrower bank rate of central bank, inter bank competition and the central directives on lend rates.

⟩ Spread or loan mix: A successful banker is one who can manage his risks. One of the tools of management of risks is to spread his advances portfolio not only among many borrowers but also to diversify lending to types of industries and against different types of securities. A banker who puts all his eggs in one basket is not a prudent banker.

ʃ National Interest: A banker should follow the national interest of that country while making a disbursement policy. Propose of advance, priority given by government and national interest is assumed greater importance than security; especially in priority sector lending *(Rose;2002:525).*

2.1.3 Establishing Written Loan Policy

"One of the most important ways a bank can make sure its loans meet regulatory standards and are profitable to establish a written loan policy. Such a policy gives loan officers and the bank's management specific guidelines in making individual loan decision and shaping the bank's overall loan portfolio" *(Rose;2002:524).*

What should a bank's written loan policy contain? The examinations manual, which the Federal Deposit Insurance Corporation gives to new bank examiners, suggests the most important elements of a good bank loan policy. These elements include *(Rose; 2002:524)*:

1. A goal statement for the bank's loan portfolio.
2. Specification of the lending authority given to each loan officer and loan committee.
3. Lines of responsibility in making assignments and reporting information within the loan department.
4. Operating procedures for soliciting, reviewing, evaluating, and making decisions on customer loan applications.
5. The required documentation that is to accompany each loan application and what must be kept in bank's credit files.
6. Lines of authority within the bank, detailing who is responsible for maintaining and reviewing the hank's credit files.
7. Guidelines for taking, evaluating, and perfecting loan collateral.
8. A presentation of policies and procedures for setting loan interest rates and fees and the terms of repayment of loans.
9. A statement of quality standards applicable at all loans.
10. A Statement of the preferred upper limit for total loans outstanding.

11. A description of the bank's principal trade area, from which most loans should come.

12. A discussion of the preferred procedures for detecting, analyzing, and working out problem loan situations.

Adopting a written loan policy statement carries a number of benefits for the bank. It communicates to employees working in the loan department what procedures they must follow and what their responsibilities are. Not only has this but it also helped the bank to move toward a loan portfolio that can successfully blend multiple objectives, such as promoting the bank's profitability, controlling its risk exposure, and satisfying regulatory requirements. Any written loan policy must be flexible to cope with continuing change in economic conditions & regulations. And violations of a bank's loan policy should be infrequent events.

2.1.4 Steps in Lending Process

Most bank loans to individuals arise from a direct request from a customer who approaches a member of the bank's staff and asks to fill out a loan application. Business loan requests, on the other hand often arise from contacts the bank's loan officers and sales representatives make as they solicit new accounts from firms operating in the bank's market area. Sometimes loan officers will call on the same company for months before the customer finally agrees to give the bank a try by filling out a loan application. Most bank loan personnel fill out a customer contact report when they visit a potential new customer's place of business *(Rose; 2002:526).*

2.1.5 Is The Borrower Creditworthy?

The question that must be dealt with before any other is whether or not the customer can service the loan – that is, pay out the credit when due, with a comfortable margin for error. This usually involves a detailed study of six aspects of the loan applications. They are character, capacity, cash, collateral, condition and control. All must be satisfactory for the loan to be a good one from the lender's point of view *(Rose;2002 :528).*

2.1.6 Components of a Good Loan Application

Loan application is the primary source of information given in a systematic manner, required for assessment of the proposal. There is always a moral fear on the borrower that any wrong information furnished would soon turn out to his utter disadvantage with doubtful credibility before bankers. Banks have different sets of application forms for different schemes of loans contained variety of information. Some of the points generally contained in the loan application forms are *(ADB/N; 2001:68).*

1. Name of the borrower
2. Legal status of the borrower
3. Address
4. Qualifications of businessman
5. Experience
6. Past dealing
7. Dealings in other banks
8. Specific purpose
9. Amount sought
10. Turnover and existing capacity
11. Profitability
12. Viability
13. Security
14. Business growth

2.1.7 Lending Documentation

Loan policy should prescribe uniform credit files and documentation procedure. Although such documentation procedures are considered as routine for most banks, the individual credit officer of the bank determines some additional documents. An effective and efficient documentation system will promote uniformity leading to lower loan loss. A credit department of banks designs a loan documentation checklist.

The list of documents that is required in Nepal in the loan administration can be summarized below *(Bhandari; 2003:120)*.

1. Loan application
2. Financial statement of the borrower
3. Credit information or reports
4. Corporate borrowing resolution
5. Partnership agreement (if any)
6. Articles of association and memorandum of association in case of Joint Stock Company.
7. Feasibility report
8. Detail security documents.

2.1.8 Loan Approval Process

The loan approval Process and working method of a bank are very important. It is a multi-step process. An individual or the business organization come to borrow loan so, a bank should know the process and working method about it. A bank provides loan to its customers. There may not be the same process/method for providing all kinds loans. The process to accept loan for common people and the process to approve the loan to same industry, businessman or merchants are different. The process of the bank may be different in approving the loan for primary sector and for bigger projects. The bank makes special types of study, research and analysis before providing loan. It makes supervision and inspection in such project even after providing the loan. Behind it there are two fundamental reasons first he bank wants to be more secure to its investment and second it grows the quantity of loan. From the viewpoint of both principal and practice, the loan approval processes of bank are as follows *(Dahal and Dahal; 2002:139):*

) Evaluation of Loan Proposal: After submission of a proposal by a person, institution or project, bank makes a deep study of the proposal and analyzes it from various angles. And after carefully evaluating all of the documents necessary for providing loan, if the bank feels the loan proposal is satisfactory then it will approve the loan accordingly else not. The studies of such documents are different in the case of person and businessman. And the loan proposal will be accepted or rejected by the

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bank depending upon its will. In other words all of the right to accept/reject the loan proposal remains with the bank.

⌡ The Types of Loan: After accepting the borrower's proposal, the bank discusses on the subjects that what types of loan the business firm or the person wants, as there are many types of loan like social loan, business loan, primary sector loan, industrial loan, hire purchase loan and the employee's loan etc. The loan can also be classified as secured loan and unsecured loan.

⌡ Determination of Loan Amount: After the determination of the loan category, a bank determines the limitation of a loan. In fact the proponent writes in his proposal, what amount of loan the customer is needed. The bank may or may not give the amount which proponent has demanded. The bank on its will determines the loan amount.

⌡ Preparation of Necessary Documents: The bank should prepare some documents while providing loan to its customers. Only after preparing the legal documents an evidence of borrowing loan is given to the creditor. It becomes the evidence of the loan taken by borrower.

⌡ Loan Acceptance Charge: After completing all the process, the bank decides to provide loan to the loan proponent. According to this decision, the bank opens an account in the name of the borrower and deposits the proposed loan amount in it. According to the provision of the loan document, the borrower can withdraw the money from the bank. But sometimes, such a situation might also be created that the borrower doesn't take the loan after the bank accepts the loan.

2.1.9 Lending Conditions

Whenever a bank offers credit facilities to the borrower, it is always subject to the terms and conditions stipulated in the sanction letter. Bank being the creditor tries to insert the stringent conditions while the borrower requests the bank for lenient ones. If the borrower can shop around, he succeeds in getting loan at lenient conditions. In short, every loan is sanctioned subject to certain conditions which can be lenient or stringent depending upon the bargaining capacity of the bank and the borrower, but no way detrimental to the

interest of the bank. Generally, bank sanctions loan containing all or any of the following terms and conditions:

1. Interest rate
2. Disbursement frequency
3. Expiry of the facility
4. Commitment fee
5. Documentation
6. Penal Interest rat
7. Drawing power
8. Submission of statements/reports (types and frequency)
9. Bank's right of inspection (with or without notice)
10. Bank's right to call back the facilities
11. Right of borrower to take loan from other financial institutions

2.2 Lending Policies and Practice

Lending policies and practices of ADB/N under different consideration is given below:

- Price water house coopers report.
- NRB's supervision and direction.
- Eligible borrowers of ADB/N.
- Loan limit/line of credit
- Pocket area group loan and total production loan.
- Green card
- Interest rates of ADB/N.
- Security and margin policy
- Practice of lending

2.2.1 Price water House Coopers Report

Through Asian Development bank, Price Water House Coopers completed 'financial and operational review' of ADB/N. ADB/N has kept precondition to ADB/N to give capital and technical support for financial restructuring according to the approval report of HMG/N.

The major pre-conditions are given below *(ADB/N; 2004: 5-6):*

    a. To improve in organizational structure

    b. To do financial restructuring

    c. Non-performing loan asset management

    d. Human resource management

    e. Preparation of three years corporate planning.

    f. Implementation of transactions in integrated way in bank offices.

    g. Right management of portfolios and to center loan investment on small and medium scale enterprises.

    h. Classification of offices into business center and cot control and starting employee's work responsibility center.

    i. Transparent accounting system and provision of internal audit committee to control internal regulation.

    j. Provision of assets and loan management committee to risk management.

    k. Enlargement of quality of MIS division.

    l. To give emphasis on work capacity of appraisal for loan quality.

2.2.2 NRB's Supervision and Direction

NRB is the bank of banks. NRB supervises and gives direction to other banks. NRB's direction to development banks are given below *(ADB/N; 2004:7):*

    a. Loan classification and loan loss provision.

    b. Financial source collection limit.

    c. Provision on sector wise loan limit.

    d. Provision on investment.

    e. Provision on non-performing assets.

    f. Provision of effective ministering, follow up and supervision for loan utilization.

2.2.3 Eligible borrowers of ADB/N

To get loan form ADB/N, the applicant should posses the following qualification *(ADB/N; 1989:13)*:

    a. Must be Nepali citizen, if the applicant is a cooperative body, it must be registered in the related government department.

b. The applicant or his representative must have the required knowledge, experience and skill to operate enterprise.

c. The applicant must not be in arrears in repayment of principle or interest or any existing loan except for reasons behind their reasonable reasons.

d. The applicant must be willing to meet the equity contribution for the project as required by ADB/N's rule and regulation.

2.2.4 Loan Limit/Line of Credit

"Depending upon purpose and type of the loan ADB/N provides loan ranging from 80 Percentage to 100 Percent of total project cost. The remaining part of the project cost of 10Percent to 20Percent will be bearded by borrower himself/herself. Line of credit is a provision where the total requirement of credit to the borrower within one year is declared at a time" *(ADB/N; 1989:33).*

2.2.5 Pocket area Group Loan Total Production Loan

"The lending policy of ADB/N is broadly based two considerations. If bank officers classify loan according to geographical structure such as climate, condition of natural resources, physical infrastructure facility, marketability etc to provide agricultural credit his work center's different places, than it is called pocket area group loan. ADB/N generally follows this approach to provide agricultural loan in easy and smooth manner to people for balanced economic development of the country. Pocket area loan group includes 5 to 20 members. Under total production loan, ADB/N approves total requirement of credit to borrower in different purposes such as rice millet, mustered etc. within one year at a time for maximum three purposes. Generally, the problem of submitting documents to get loan on different purpose in different time within one year is reduced and farmers will get advantage form it" *(ADB/N;1989:100-102).*

2.2.6 Green Card

"If the borrowers of the ADB/N have been talking loan from ADB/N since last three years and taking advantage from the project and also paying loan's principle & interest timely to the bank, 'Green Card' is given to those farmers. The borrowers have to pay less interest rate in current prime lending rate" *(Rijal, 2001:15).*

2.2.7 Interest Rates of ADB/N

ADB/N has followed discriminatory interest rate policy depending upon the borrowers and the purpose of loans. The effective rate of interest of ADB/N is different in according to the sectors of lending. The chart of current interest rate is enclosed in Appendix: Note *(ADB/N;2004:19)*:

a. Prime interest rate will be charged if interest is paid monthly and 20Percent interest discount is removed.

b. Additional 1 Percent and 3 Percent medium term interest will be charged on deprived class credit and other credit respectively if interest is not paid monthly.

c. 2 Percent and 4 Percent high interest rate will be charged in medium term interest on deprived class credit and other credit respectively.

2.2.8 Security and Margin Policy

ADB/N has following provision on security and margin policy. ADB/N requires either immovable or movable property such as land building, car, bus etc.

Table 2.1

Security and Margin Policy

S.N.	Property	Minimum Loan Granting %	Margin %
1	Land	80%	20%
2	Cemented House/Go-down and Cold Storage	70%	30%
3	Machinery	50%	50%

Source: (ADB/N; 2004:23)

2.2.9 Practice of Lending

Individuals, cooperatives or corporate body willing to borrow the loan from ADB/N must fill up the prescribed loan application firm supplied by ADB/N. The applicant should submit supportive documents with the application firm such as certificate of land ownership, receipt of land revenue payment or certificate of government registration for corporate and cooperatives organization. In some cases/big projects, project feasibility report is essential.

After receiving the application from borrowers, ADB/N officials inspect the document as well as project site and security. After inspecting security, security is valued and borrower's acceptance on security is taken by bank.

After examining all documents and field visit, loan committee approves loan to those borrowers whose project seems technically feasible, economically viable, politically suitable, and socially acceptable. ADB/N gives approved notice borrower at last.

2.3 Recovery Polices and Practices of ADB/N

Each and every financial institutions including ADB/N has its own recovery policies and practices to collect principle and interest from farmers. ADB/N grants short term and long term loan with fixed lending period. These term loan requires to recover. So, ADB/N has loan recovery manual 1992 which was issued in 1992 under the ADB/N loan recovery regulation 1975 and ADB/N act 1967. The loan recovery manual is considered as a main base/guideline to collect the loan invested early to farmers effectively with in its loan installment period.

Loan recovery policies and procedures of ADB/N are:
- Objectives of loan recovery manual.
- Authority of bank, if banking agreement.
- Provision for interest, penalty and rebate.
- Provision for memorandum letter.
- Punishment stage of recovery.
- Provision for sick period.
- Correction of payment project
- Pre-notice for publication of borrower's name in magazines.
- Provision of action of collateral
- Doubtful loan
- Remission of loan
- Provision for black list

Authority of bank, if breaking the Agreement:

ADB/N has an authority of breaking agreement under the ADB/N act 1967 of article 20. *(ADB/N; 1992: 4-5)***:**

a) The bank has the authority to sell or auction of the collateral to recover the loan amount and interest.

b) If the collateral valuation of the borrower decreases, bank has authority to receive other property from borrower to sell and auction the property to collect the principal and interest amount.

c) If the ADB/N is unable to collect the loan amount from the selling or auction of collateral, bank has authority to recover loan amount from the other property of borrowers.

d) Bank has authority to transfer the title of collateral to the third party. The third party has same legal validity of their property title which is transferred by the bank is same as by the borrowers.

e) Bank collects their loan amount by selling, auction or any other expenses to the borrowers from the selling or auction of collateral. If the amount is received higher than the loan amount and other charge bank should be returned those amount to the borrowers, which is more from their recovery amount.

f) Bank may be requested to the land registration office by the way of Nepalese law, for the registration or transfer the collateral title with itself or other third party, which from the selling or any other process.

g) If the bank requested to the related registration or property transfer office for the collateral title transfer and registration related office will do.

h) Collateral is not possible for selling or auction, the bank has authority to take the title of collateral from the related government office.

Provision for Interest, Penalty and Rebate:

ADB/N charges interest in different purpose, which is shown in previous page. Extra provision on interest rate, penalty and rebate are given below *(ADB/N; 1992:8-9):*

a) ADB/N charges one recent service charge, if the loan amount and outstanding is more than Rs 50000.00

b) ADB/N has different interest rates. Generally, cooperative organization has to pay less interest rather than the individual borrower.

c) If correction is made in payment period, then rebate is given as penalty as well as interest an principal.

d) Sometimes ADB/N introduces notice of rebate especially file closing time 75 percent to 85 Percent rebate is given on non-performing loan's interest to farmers

Provision of Memorandum Letter:

Three types of memorandum letters will be issued by ADB/N to loan collection *(ADB/N; 1992:18):*

a) First memorandum letter: The first memorandum letter will be sent to borrower before loan installment period.

b) Second memorandum letter: The second memorandum letter will be sent to borrower after one month; if the borrower did not pay principal and interest within the loan installment period after sending first memorandum letter.

c) Pre-notice to publish borrowers name in magazine: If the borrower didn't pay loan after sending second memorandum letter, ADB/N sent notice to borrower after 60 days. This memorandum letter will be sent through post office and officials of ADB/N who goes in field visits for loan collection. After sending memorandum letter of 35 days, notice should be published in newspaper.

Provision for Sick Project:

Under the following conditions projects are consider as sick projects *(ADB/N; 1992:38).*

a) Partial or absolute loss from natural calamities such as earthquake, flood, landslide, fire etc.

b) After project entrepreneur's death, if other people and family member aren't to operate project.

c) If project is operated for some year and after that project can't be run through lack of raw material, market, increase in tax, electricity charge etc.

d) If ADB/N unable to grant credit on time, less loan is approved and not get grace period according the requirement.

Correction of Payment Period:

If project is considered as sick through supervision and inspection, correction of payment period will be made/ done by ADB/N under the following condition.

a) Due to systematic cause that is beard by the borrower and if project will not be stared in time *(ADB/N; 1992:40)*.

b) If the project is failed or going on loss by the causes of natural calamities such as heavy rain, earthquake etc robbery and other accidents.

c) If the project is affected by different diseases.

d) In case of destroyed or damaged the product of the project that can't be sold due to lack of market.

e) If the borrower's family requests after the death of main proprietor, if the project may not be operate successfully or it will be difficult to operate.

Pre-notice of Publication of Borrowers Name in Magazine:

"If the borrower fails to repay their loan to ADB/N, ADB/N sends memorandum letter and does timely supervision on lending project. After this situation, bank takes legal provision for recovering loan amount by selling collateral through auction or any other legal procedure, Bank publishes the borrower's name with the title of collateral in local and national newspapers for the payment of loan within 35 days" *(ADB/N, 1992:53)*.

Provision of Auction of Collateral:

The bank publishes notice in different national newspaper for the auction of collateral, if failure to recover loan amount itself or by the borrower, the bank has decentralized the auction power for different level of office, which are given below *(ADB/N; 1992:55-56)*.

a) If the loan's principal and interest upto Rs500000.00 district level auction committee has decision power.

b) If the loan's principal and interest upto Rs500001.00 to Rs700000.00 supervision and controlling office has decision power.

c) If the loan's principal and interest upto Rs700001.00 to Rs 1500000.00 decision power goes to DGM level committee.

d) If the loan's principal and interest is more than Rs1500001.00 decision power goes to the general manager level committee or the BOD of the bank.

e) The bank has authority to published the decision 7 days after passing the information about the borrowers.

Doubtful Loan:

ADB/N announces the doubtful loan, if the loan is impossible to recover. Following loan condition is known as doubtful loan.

a) If the collateral value goes down through the causes of natural calamities and other unfavorable accidents.
b) Full recovery of loan amount is not possible even after selling or auction of collateral and there is no other property of the borrowers in the kingdom of Nepal.
c) If the bank did not recognize the borrower.
d) If the lending is made from the securities, and the market value of security is going down in market.
e) In case of loan provided under the security of Project, and the project is going down in market.
f) If borrower takes loan by submitting duplicate documents and bank failed to recover loan from such cheater.

Remission of Loan

The Board of Director of ADB/N has a right to grant remission of principal and interest of loan provided by the ADB/N. The general manager has right to grand remission of capitalized interest of capitalized interest of capitalized amount. The following loan committee has authority for providing the remission of loan amount.

Table 2.2

Remission Committee and Remission of Loan

(in Rs)

S.No	Offices	Remission of loan for one purpose
1	Depo Loan Committee	Upto Rs 800
2	Sub Branch Loan Committee	Upto Rs 1200
3	Branch Loan Committee	Upto Rs 2000
4	Main Branch Loan Committee	Upto Rs 3000
5	Supervision & Controlling Office -First grade loan committee -Special grade loan committee	 Upto Rs 4000 Upto Rs 5000
6	H/O Recovery Department - Recovery Committee	 Upto Rs 8000
7	Chairmanship of DGM loan committee	Upto Rs 10000
8	As per authority of BOB remission given through GM	More than Rs10000

(Source: ADB/N;1992:68-69)

Provision for Black List:

Borrower's name is kept under the black list in the following conditions.

   a) If the borrower don't complete the project and misused of the loan.

   b) If borrowers perform following function with bank, those persons are kept on black list so that they can't get loan from bank.

      ⌡ If a borrower cheat and submit other document for loan.

      ⌡ If a borrower hide his collateral and take loan by showing others' collateral.

      ⌡ Without prior permission of bank, if the borrower sell the project or transfer the ownership of collateral to other.

      ⌡ If the borrower took loan from different two banks with same collateral.

2.4 Review of Journals and Articles

All possible sources are thoroughly searched to find information to establish the practical relation with this research. In this course following review is performed from which we

get snapshot of guideline for effective lending and recovery policy and practices of ADB/N.

Shrestha (1991), published an article *"Doubtful debt of ADB/N"* Where he has indicated that the doubtful debt of ADB/N is increasing every year and the loan officers and management team should give their attention on that matter. Banking sector is severely affected by non-performing loan. It is estimated that the NPL of the Nepalese banking system is around 16 percent. Therefore, there is no doubt that it has a serious implication on economic performance of the country.

Rana (2004), published an article *"RBB Reducing Losses"* where he focuses that RBB recovered 2300 million as principal and interest from the loans that were classified as NPA during nine months. RBB executives said that money was not being recovered in the past just because there was no follow up made on the loan to reaize it. The culture seemed to be that of lend and forget. The NPA size has gone up from Rs14889 millions as of mid July 2002 to Rs 15531 millions as of mid October 2003. But RBB executives told that it was due to more stringent requirements introduced recently under the prudential directive of NRB.

Nepal (2009), published an article *"Home Loan Making Real Estate Business Attractive"* where he explained about the housing loan, which is gaining popularity nowadays. Commercial banks provide various kinds of loans among which housing loan is one of them.

The writer states that real-estate business is nowadays increasing rapidly in Kathmandu. The main reason of this is not due to prosperous economy of Nepal, but due to several reasons such as security, remittance from abroad, housing loan at cheap rate with easy repayment schedule etc. The history of housing loan in Nepal is very short. Within a span of three years period, many banks are introducing attractive scheme of financing for housing in Kathmandu.

By understanding this general notion of the people, banks are financing for housing so that people can purchase building in the early days. While extending this type of loan, banks will simply see the income of the customers. It takes hardly ten to twelve days for loan processing. He further writes that from the angle of banks also, this scheme is becoming more profitable and at the same time less risky. The default of non-repayment is very less.

2.5 Review of Thesis

Some of relevant review of literature from thesis is presented below within periphery of this research to have enough information and knowledge for this research work.

Karki (2005), in his study, *"Role of Agriculture Development Bank in Nepal"* has following objectives:
   i. To analyze the achievement under various heading such as loan investment, loan collection, outstanding loan due and repayment rate of loan.
  ii. To examine the problem and remedies of rural finance.
  iii. To examine the performance and financial soundness of ADB/N.

His major findings with respect to the analysis are as follows:
   i. In the case of borrowers who are able but not interest to pay their due loans. The bank must examine the borrowers past repayment record and corrective action must be taken immediately.
  ii. Recovery policy and procedure must be exercise strictly and political interference and pressure must be neglected.
  iii. The ADB/N should expand branches in the rural parts of the country and finance farmer directly and also through cooperative societies.

Khatri (2002), in his study, *"A study on Effectiveness of Investment Policy adopted by Agriculture Development Bank",* He highlights that bank has charged little bit in its lending policy. On purchase wise basis it had laid much emphasis on agro-industry, marketing and warehousing. ADB/N loans advance for cereal and cash crop production

has not been in what it should be for increasing their production. The objectives of the thesis are:

i. To show the contribution of ADB/N in the development of Agriculture sector in Nepal.

ii. To examine how far ADB/N is effective in allocating funds at different agriculture sector.

iii. To examine the investment policy and its effective application by ADB/N.

The researcher had following findings in his thesis:

i. The interest rate for agricultural sector must be reduced. The commitment and service charges must be reduced because poor farmers can not pay.

ii. Equal priorities must be given to all opportunities sector of ADB/N.

iii. Main thing is that an unnecessary legal formality has badly affected the ADB/N. Bank is unable to catch this opportunities due to these formalities. Bank should be free from these formalities. If so, bank able to attract the valuable borrowers.

Shrestha (2000), in his study, *"Need of Industrial Credit for Agricultural Development in Nepal"*. She focuses on her thesis that, ADB/N provides must of the loan to the large farmers. Her major analysis and findings are as follows:

Problem of ADB/N is that the collection of loan is very low. Due to the lack of timely supervision in harvesting and saving season and also no inspection or supervision to the farmers and they have been credit for consumption purposes only.

Sharma (2001), on his study *"Analysis of Loan Disbursement Pattern of ADB/N of Nepal"*, he emphasize on the role of agriculture in the economic development of Nepal. Agriculture credit is one of the most vital factors for increasing agricultural production. His major analysis and findings are as follows:

i. The amount of the banks loan disbursement is largely depending upon the amount of the loan repayment in each year. So the bank should encourage to farmers by various policy such as loan, interest etc. for the repayment of loan.

ii.   The bank should help to fulfill the maximum credit gap between small & big farmers.

iii.   The ADB/N should help to fulfill the maximum credit gap between small & big farmers.

iv.   Small and marginal farmers are facing the problems of improved seeds, fertilizers and pesticides due to their low income and saving so the bank should apply easy loan policy on agriculture.

Dahal (2002), quotes in his study *"Analysis of Priority Sector Credit and it's Recovery Banajaya Bank"* the development of an economy in fact depends upon the development of the financial institutions to a substantial extend. The mission of such financial institution is significant not only in mobilizing saving but also in making investment for the development of different sector of an economy which consequently helps in reducing purvey, raising employment opportunities and minimizing disparity in the wealth and opportunities between richer and poor sections of the society.

Pradhan (1978), on his dissertation *"Loan Disbursement and Collection Pattern of ADB/N"*, the distribution of agricultural credit through the government intuitions also turned out favor of the relatively prosperous to farmers. The annual percentage share in loan disbursement of central development region has increasing tendency while that of eastern region has decreasing tendency. The unequal disbursement of loan for different types of purpose might be seen among the development region. The high portion of collection comes from central development region but the annual percentage share in collection from this reason has a decreasing tendency. His major analysis and findings are as follow.

i.   Collection program must be given high attention from the realizing overdue loans from individuals and cooperative.

ii.   Far-western and western development regions have to be given priority.

iii.   The ADB/N should be very strict in collecting loan from eastern development region.

Pradhan (2004), *"Loan Disbursement and Collection Pattern of ADB/N",* He said in his thesis that, banks staffs were not careful in loan disbursement and not serious in collecting the loan which have matured. Even, from this bank, depositors have not received attractive interest rates while the borrowers and investors have suffered from large cost of funds. While it is reported that small depositors and entrepreneurs are discouraged from opening their accounts and carrying out transactions in the joint venture banks. His major analysis and findings are as follows:

 i. Banks gives less consideration to the concept of social banking. It is plagued by problems like operational inefficiencies, managerial deficiencies and least improvement in their dealings and transactions with their clients.

 ii. The annual percentage share in loan disbursement of central development region has increasing tendency while that of eastern region has decreasing tendency. The unequal disbursement of loan for different types of purposes might be seen among the development region. The high portion of collection comes from central development region but the annual percentages share in collection from this region has a decreasing tendency.

Oil (1979), on his study *"Agricultural Financing in Nepal"*, He has indicated that institutional agriculture credit facility help to increase the rate of agricultural development. His objectives were to find out the effectiveness of the institutional Credit in Agriculture Sector. Therefore adequate credit should be extended to small and medium size of farmers by well organized agricultural credit institutions. ADB/N, being single institutionalized credit agency must be able to help the farmers of rural areas in maximum to raise the farm productivity. His findings are as follows:

 i. To expand the institution credit services to the needy farmers in rural areas to save them from the exploitation of money lenders. ADB/N should open branches in rural parts of the country.

 ii. ADB/N financing are more concentrated especially to the western and far-western development region.

iii.   ADB/N is required to formulate such as policy regarding security that the majority of farmers should get credit facilities and credit must be provided not nearly to these with assets but to the community in general.

iv.   The process of loan disbursement by ADB/N is more complex and lengthy, but required formalities also should not be vague and borrowing process should be quick as well as simplified.

Research Gap

The main objectives of this research is to examine the loan disbursement practice of ADB/N, evaluate the trend of loan investment and show the achievement of disbursed loan and to find out the reasons for outstanding or delay in repayment of loan. This study is significantly different from previous studies because primary data analysis is conducted in Katunja and Chanju village where previous researcher had not did. Very few researcher wrote thesis on this chapter. Primary data are collected from farmers & Official staff by the help of scheduled structural questionnaire through personal face-to-face interview, which help to find out the use of loan and delay payment of loan. Thus there is gap between previous research and this research. I hope the effort put on this particular subject will be one of the valuable studies in this particular subject.

CHAPTER - III
RESEARCH METHODOLOGY

3.1 Introduction

Research methodology can be understood as a science of studying how research is done scientifically. It is a way to systematically solve the research problem. Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objects in view *(Kothari C.R; 1978)*. Research is essentially a systematic inquiry seeking facts through objectives verifiable methods in order to discover the relationship among them and to deduce from them broad principles or laws. It is really a method of critical thinking by defining and redefining problems, formulating hypothesis or suggested solution, collecting organizing and evaluating data, making deductions and making conclusions to determine whether they fit the formulated hypothesis.

Research methodology depends upon the various aspects of the research project. The size of the project, importance of the project, time frame of the project, impact of the project in various aspects of the human life etc are the variables that determines the research methodology of that particular project. Therefore, research methods helps to analyze, examine and interpolation of data and information in research work. For systematic analysis of related data and information proper research methodology is necessary.

3.2 Research Design

Research design is the plan structure and strategy to obtain answer to research question through investigation and analysis, the research design of this study is descriptive as well as analytical. This study is going to examine the procedure of disbursement and collection process of ADB/N. This available information from primary and secondary sources are used to examine, explain and evaluate the disbursement and collection situation of ADB/N. This chapter looks into research design, period covered, the nature and sources of data, research variables and tools used in order to explain the various

important causes of none and delay payment arising from individual and corporate cooperatives organizations' borrower side in relation to the ADB/N loan granted.

Both qualitative and quantitative data are used and described to get 100 percentage information to fulfill the objectives of this research. It is difficult to study the principles causes rising from borrower's side and quantify them in relation to the weak repayment performance of ADB/N loan investment.

3.3 Period Covered

The present study covers a time period of five years from F/Y2060/61 to F/Y2064/65. The analysis is mainly based on data and information of these last 5 years.

3.4 Nature and Sources of Data

Both primary and secondary data have been used in this research report. Primary data are basically based on supplementary questionnaire as well as oral information from executives and departmental employees. Unstructured dialogues and discussions are also helpful for this purpose. One focus group discussion (with eight participants) fifteen individual in-depth interview were conducted with some clients, ex-clients and employees in the qualitative research processes. Basically, the primary data collection process was conducted structured interviews with credit officers and employees of ADB/N to gather information. Primary raw data are analyzed through qualitative analysis.

Secondary data have been collected from the published journal, Financials statement and research paper of ADB/N. These include the annual report "Credit Journal", "Budget Book", ADB/N at a Glance published by ADB/N. Other sources of secondary data relating to this study are collected from the publication of Ministry of Finance, publication of National Planning Commission, Central Bureau of Statistics, Auditor Genera Reports, Newspapers, Previous Unpublished Dissertation, Research Reports related to ADB/N, NRB's publications and other related publications. Some valuable information has also been collected from personal interaction with managerial level

employees of ADB/N and some of MIS division of ADB/N through regular field visit in ADB/N.

Data are collected to draw inferences and co-conclusions for this research. A comprehensive method is followed to get 100 percentage data *(i.e primary and secondary data and both sources)*. Both quantitative and qualitative technique are used to find out/ ascertain and describe what is happening by asking questions and describe the characteristics of the variable of interest in a situation.

3.5 Research Variable

Disbursement, Collection, Outstanding Loan and time period of ADB/N are the main research variables of the present study.

3.6 Population and Sample Size

Loan disbursement and collection data of ADB/N are the population of the study. Out of these, five years (Fy2060/61 to 20654/65) are the sample size and these five years is taken as the sample for the study.

3.7 Statistical Tools used in Research

Collected data and information from different sources are analyzed and presented in proper table, chart, format and graphs. To analyze the collected data some financial, mathematical and statistical tools have been used as per requirements.

Statistical analysis/procedure is used to find out current trend of loan investment and collection of ADB/N. To process raw data and analyze the relationship Karl person's coefficient of correlation, T-test and percentage methods are used.

Statistical Tools:

i. Karl Person's Coefficient of Correlation:

The word correlation refers to the relationship or interdependence between two or more than two set of variable. On the basis of correlation we can determine the cause effect

relationship between 2 or more than 2 set of variable once at a time. Karl person's coefficient of correlation:

$$r \; X \frac{xy}{\sqrt{x^2} \sqrt{y^2}}$$

where,

r = Coefficient of correlation

$x \; X \int X \; Z \overline{X} \; A$

$x \; X \int Y \; Z \overline{Y} \; A$

x = Independent variable

y = Dependent variable

Following diagram is considered to describe relationship between variables
If r is

| -1 | -0.7 | -0.3 | 0 | +0.3 | +0.7 | +1 |

ii. Hypothesis

Hypothesis is a conjectural statement about the relationship between two or more variables which needs to be investigated for the truth by valid and reliable data. The research of this study strongly holds that the hypothesis formulated meet the above mentioned criteria. Since, sample size is less than 30, t-test is used for hypothesis testing.

T-test

T-statistics is used for the test of significance of each correlation coefficient. The hypothesis are as follows.

a) Hypothesis First:

H$_o$: ~X_1 X ~X_2 (There is no significant difference between the ratios of targeted loan investment and actual loan investment)

H$_1$: ~X_1 | ~X_2 (There is significant difference between the ratios of targeted loan investment and actual loan investment)

b) Hypothesis Second:

H$_o$: ~X_1 X ~X_2 (There is no significant difference between the mean ratios of targeted loan collection and actual loan collection)

H$_1$: ~X_1 | ~X_2 (There is significant difference between the mean ratios of targeted loan collection and actual loan collection)

Test statistic

$$t * \text{X} \frac{r}{\sqrt{\dfrac{1\,\text{Z}\,r^2}{n\,\text{Z}\,2}}}$$

Decision Rule: The tabulated value of t at 5Percent level of significance for two tailed test at (n-2) = (5-2) = 3 degree of freedom is 3.182. If t* (i.e calculated value of t) is found greater than its calculated value then it is market as significant and Null Hypothesis is rejected, otherwise insignificant.

This research is conducted within the periphery of this research methodology, which is the crucial part of this research to find out finding from the study.

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CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

The main purpose of analyzing the data is to change it from an unprocessed to an understandable presentation. Analysis is not complete without interpretation and interpretation cannot proceed without analysis. Data is analyzed by using proper statistical tools such as correlation coefficient and t-test to find answers of research questions. This analysis focuses to present investment and collection situation of ADB. Apart from this, the research also tries to find out some possible causes for non and delayed payment of loan.

All the available secondary and primary information are examined, analyzed and presented. Five years data has been presented for the purpose of analysis. To fulfill the objectives set for analysis, this chapter deals with the entire available primary as well as secondary information on the aspect of loan disbursement and collection of ADB/N. Major source of secondary data are annual reports from 2060/61 to 2064/65 and planning & budget from 2060/61 to 2064/65. Primary data are collected through direct interview with farmers and bank official staff.

Different types of data required different methods of summary and presentation. There are a number of methods, which can be used to simplify the data but the easiest way to understand data is by examining it in charts, graphs and tables. Hence for simplicity, the data are presented in tables and diagrams to analyze them. Presentation, analysis and interpretation of data are conducted to fulfill the objectives of the study. Summarizing the data in a tabular form and displaying them in diagram sets a base for drawing out conclusion and making important recommendations.

4.2 Analysis of Primary Data Collected from Farmer

Primary data are obtained from farmers, office staff of ADB/N. To make the primary data easily understandable, the collected primary data are tabulated and expressed in percentage. Primary data are collected from farmers by the help of scheduled structural questionnaire through personal face-to-face interview. 15 questions *(see Appendix I)* are asked to the 30 farmers of Kathmandu district's Changu and Katunja village. The questions are asked to those farmers who take loan from ADB/N. The primary data collected from farmers are analyzed below.

Table 4.1

Have been in relation with ADB/N

Relation with ADB	Frequency	Percentage
Less than 5 yrs	20	66.67
Between 5-10 yrs	7	23.33
More than 10 yrs	3	10
Total	30	100

Source: Appendix I

Among 30 respondents, 20 (66.67 Percent) respondent replied that they have been in relation with ADB/N is between 5-10 yrs. 7 (23.33 Percent) respondent replied that the relationship with ADB is less than 5 yrs and 3 (10 Percent) replied that they have more than 10 yrs relation with ADB/N.

Table 4.2

Loan of ADB/N Helped You

Loan help you	Frequency	Percentage
Help me a lot	15	50
Help me little	10	33.33
Didn't help me at all	-	-
Loan was burden	5	16.66
Total	30	100

Source: Appendix I

Among 30 respondents, 15 (50 Percent) respondents replied that the loan of ADB/N help them a lot. 10 (33.33 Percent) respondents replied that the loan help them little, 5 (16.66

Percent) replied that loan was burden for them and there was no respondent who replied that the loan didn't help them.

Table 4.3

Face any Problem from ADB Staff

Face Problem	Frequency	Percentage
Yes	8	26.67
Little Bit	17	56.66
No	5	16.67
Total	30	100

Source: Appendix I

Out of 30 respondents, 8 (26.67 Percent) replied that they face problem while taking loan from ADB/N and the process is tedious. 17 (56.67 Percent) replied that the face little bit problem in taking loan and 5 (16.67 Percent) replied that they didn't face any problem on taking loan.

Table 4.4

Feeling on Paying Last Loan

Paying Loan	Frequency	Percentage
Difficult to pay	8	26.67
With my capacity to pay	12	40
Easy to pay	12	40
Total	30	100

Source: Appendix I

Among 30 respondents, 8 (26.67 Percent) felt difficult to pay loan of ADB, 12 (40 Percent) replied that they can pay within their capacity and 12 (40 Percent) respondents said that they can pay ADB loan easily.

Table 4.5

Factor Stimulated to Take Loan

Factors	Frequency	Percentage
Poverty	2	6.67
Employment	3	10
Income and Saving	5	16.66
All of above	20	66.67
Total	30	100

Source : Appendix I

Out of 30 respondents, 2 (6.67 Percent) said that poverty stimulated them to take loan from ADB/N, 3 (10 Percent) replied that for employment they took loan. 5 (16.66 Percent) respondents took loan for income & saving and 20 respondents replied 'all of above' stimulate to take loan.

Table 4.6

Use Loan for Same Purpose

Utilization of Loan	Frequency	Percentage
Yes	25	83.33
No	5	16.66
Total	30	100

Source: Appendix I

Out of 30 respondents, 25 (83.33 Percent) replied that they use loan for same purpose and remain 5 (16.66 Percent) replied that they misuse the loan and spend for different purpose

Table 4.7

Loan Repayment Schedule

Payment Schedule	Frequency	Percentage
Yes	30	100
No	0	0
Total	30	100

Source: Appendix I

Among 30 respondents, all(100 Percent) respondents replied that they knew the loan repayment schedule of ADB/N and no(0 Percent) respondent are there who don't know the payment schedule.

Table 4.8

Modern Technology

Modern Technology	Frequency	Percentage
Yes	30	100
No	0	0
Total	30	100

Source: Appendix I

Among 30 respondents, all (100 Percent) respondents replied that they adopt modern technology like improved seeds, fertilizer, insecticides, Tractor, pump-set etc for farming and no(0 Percent) respondent are there who don't adopt modern technology.

Table 4.9

Market of Agriculture Product

Market	Frequency	Percentage
Local Market	7	23.33
National Market	23	76.67
International Market	0	0
Total	30	100

Source: Appendix I

Out of 30 respondents, 7(23.33 Percent) replied that they sell their product on local market, 23(76.67 Percent) replied that they sell on National Market and there is no(0 Percent) respondent who sell their product on international market.

Table 4.10

Use of Agricultural Income

Agricultural Income	Frequency	Percentage
Reinvest in own agri-business	8	26.67
To fulfill family requirement	15	50
To invest in other business	-	0
Save for future	7	23.33
Total	30	100

Source: Appendix I

Out of 30 respondents, 8(26.67 Percent) respondents replied that they reinvest their agri-income in their own agri-business, 15(50 Percent) respondents replied that they fulfill family requirements, 7(23.33 Percent) replied that the generated income is save for future.

Table 4.11

Supervision and Monitoring by ADB/N

Supervision and Monitor	Frequency	Percentage
Yes	27	90
No	3	10
Total	30	100

Source: Appendix I

Among 30 respondents, 27(90 Percent) replied that the official staff come time to time to monitor their business and 3(10 Percent) replied that the ADB staff didn't come to monitor their business.

Table 4.12

Current Interest Rate of ADB/N

Satisfactory	Frequency	Percentage
Yes	22	73.33
No	8	26.67
Total	30	100

Source: Appendix I

Out of 30 respondents, 22(73.33 Percent) replied that the interest rate and other charges charged by ADB is satisfactory and 8(26.67 Percent) replied that the interest rate is high and difficult to pay on time. They also suggest to decrease interest rate, since ADB is government public servicing bank.

Table 4.13

Problem on Taking Loan from ADB/N

Problem	Frequency	Percentage
Yes	15	50
No	15	50
Total	30	100

Source: Appendix I

Out of 30 respondents, 15(50 Percent) replied that they face problem and felt difficult to take loan from ADB and have to cross long process which made them irritate to take and 15(50 Percent) respondents replied that they felt easy to take loan from ADB/N.

Table 4.14

Factor that Lead not to Pay Loan of ADB/N

Affecting Factors	Frequency	Percentage
Inadequate income from agri-business	18	60
Misuse of Loan	2	6.67
Lack of marketability of product	8	26.67
Overvaluation of loan	2	6.66
Total	30	100

Source: Appendix I

Out of 30 respondents, 18(60 Percent) replied that inadequate income from agri-business lead them not to pay the loan of ADB/N on time, 2(6.67 Percent) replied that because of misuse of loan they can't pay loan on time, 8(26.67 Percent) replied that lack of marketability of product they can't generate income and pay loan on time and remain 2 replied that the overvaluation of loan made them not to pay the loan of ADB on time.

Table 4.15

Improve Life Standard

Improve	Frequency	Percentage
Yes	27	90
No	3	10
Total	30	100

Source: Appendix I

Out of 30 respondents, 27(90 Percent) respondents replied that the life standard is improve by taking loan and properly utilizing the loan in productive sector. And 3(10 Percent) replied that their life standard is not improved said that loan is burden and difficult to pay on time.

4.3 Analysis of Primary Data collected from Official Staff

Due to various limitation, it is quite difficult for me to collect primary data from official staff. Crossing all those obstacles, I collected data from ADB/N head office loan department staff, Bagbazar branch office staffs and bhaktapur branch office staffs. Total 10 question are asked to the official of ADB/N *(See Appendix II).*

Table 4.16

Pre-Feasibility of Agri-Project

Study	Frequency	Percentage
Yes	10	100
No	0	0
Total	10	100

Source: Appendix II

Among 10(100 Percent) respondents, all agree that the ADB/N study pre-feasibility of the agri-project before acceptance and there is no (0 Percent) respondent who replied that the ADB/N doesn't study pre-feasibility before accept the project.

Table 4.17

Supervise and Monitor Project

Supervise and Monitor	Frequency	Percentage
Regularly	7	70
Frequently	3	30
Never	0	0
Total	10	100

Source: Appendix II

Out of 10 respondents 7(70 Percent) replied that ADB/N supervises and monitor regularly on big invested projects. 3(30 Percent) respondents replied that in small projects ADB/N frequently supervise and monitor. None replied that the ADB/N didn't supervise

& monitor project. Among those answers what I found is that if the client pay their installment regularly and the project is also run smoothly then the ADB/N doesn't go on field to monitor and supervise the project and if above mention things are not running smoothly in such case ADB/N monitor and supervise the project.

Table 4.18

Lending Policy and Practice of ADB/N

Supervise and Monitor	Frequency	Percentage
Need to change	2	20
Moderate	0	0
Not need to change	8	80
Total	10	100

Source: Appendix II

Out of 10 respondents, 2(20 Percent) replied that the lending policy and practice of ADB/N need to change, 8(80 Percent) replied that the policy is ok and its not need to change and none replied that the policy is moderate.

Table 4.19

Loan use on same Purpose

Use	Frequency	Percentage
Yes	7	70
No	3	30
Total	10	100

Source: Appendix II

Among 10 respondents, 7(70 Percent) replied that the loan is used for same purpose for which it is taken and 3(30 Percent) respondents said that the loan is not used for same purpose, it is being misused.

Table 4.20

Repay Installment Regularly

Pay installment	Frequency	Percentage
Yes	7	70
No	3	30
Total	10	100

Source: Appendix II

Out of 10 respondents, 7 (70 Percent) replied that the loan installment is paid on time regularly and 3(30 Percent) replied that the loan installment is not paid regularly.

Table 4.21

Is Service Charge Reasonable?

Service Charge	Frequency	Percentage
Yes	10	100
No	0	0
Total	10	100

Source: Appendix II

Out of 10 respondents, all (100 percent) replied that the charges to clients are reasonable and none (0 percent) respondent are there who disagree with ADB/N charge.

Table 4.22

Trend of Outstanding Loan

Service Charge	Frequency	Percentage
Increasing	0	0
Decreasing	10	100
Total	10	100

Source: Appendix II

Among 10 respondents, none (0 percent) replied that the outstanding loan of ADB/N increasing. All (100 Percent) respondents replied that the outstanding loan is decreasing every year.

Table 4.23

Service should be Increase

Service	Frequency	Percentage
Need to increase	10	100
Not need to increase	0	0
Total	10	100

Source: Appendix II

Among 10 respondents, all respondents (100 Percent) replied that the service should increase. Many came in operation and competition is increasing day by day so to compete

with competitors, ADB should increase services to clients and none replied that present service is enough to clients.

Table 4.24

Repay Loan on Time

Repay loan	Frequency	Percentage
Lack of Marketability of product	0	0
Inadequate income from agri-business	4	40
Natural climates	6	60
Total	10	100

Source: Appendix II

Among 10 respondents, 4(40 Percent) replied that, Due to the lack of inadequate income from agricultural the farmers are not able to pay their loan on time. And 6(60 Percent) respondents replied that Unsuitable Natural climates led them not to pay lone on time and none respondent replied that lack of marketability of product is the reason of due loan.

Table 4.25

Follow Punishment Stage

Punishment	Frequency	Percentage
Yes	10	100
No	0	0
Total	10	100

Source: Appendix II

Out of 10 respondents, all (100 Percent) said that ADB/N follow punishment stages. If the clients does not pay their loan on time punishment stage is follow step by step. There was none who said that ADB didn't follow punishment stage.

4.4 Analysis of Secondary Data

4.4.1 Targeted Loan Investment and Collection

The targeted loan Investment and collection for each and every year is determined by Planning and Project Department of ADB/N. Every bank made planning to invest and collect money so ADB/N also had targeted loan investment and collection planning in different areas and projects. Detail description is given below.

Table 4.26

Targeted Loan Investment and Collection

F/Y	Targeted Loan Investment	Growth Rate	Targeted Loan Collection	Growth Rate	Percentage of collection to Investment
2060/61	10,497,738	-	9,457,687	-	90.09
2061/62	11,272,370	7.38%	10,306,829	8.98%	91.43
2062/63	13,981,420	24.03%	11,721,164	13.72%	83.83
2063/64	29,442,018	110.57%	24,808,267	111.65%	84.26
2064/65	31,770,190	7.90%	27,241,375	9.80%	85.75

(Source: Annual Program and Budget from FY 2060/61 to 2064/65)

Figure 4.1

Line Diagram of Targeted Loan Investment and Collection
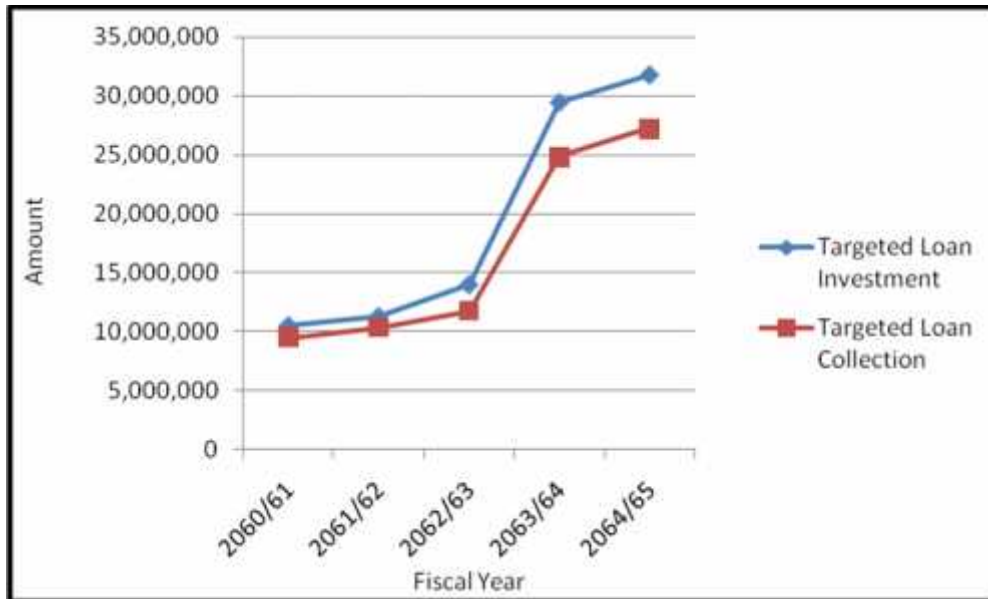
From the table and chart of above it is clear that targeted loan investment of ADB/N is increased every year. The lowest targeted loan investment amount is Rs 10,497,738.00 thousand in FY 2060/61 while the highest targeted loan investment amount is Rs 31,770,190.00 thousand in the F/Y 2064/65. Similarly the highest growth rate of targeted loan investment is 110.57 Percent in FY 2063/64 and lowest growth rate is 7.38 Percent in FY 2061/62.

Targeted loan investment's growth rate has fluctuate dramatically, it was 24.03 Percent in FY 2062/63 and it dramatically increased and reached to 110.57 Percent and again the growth rate decreased to 7.90 Percent respectively.

Targeted loan collection amount also increased every year. The lowest targeted loan collection amount was Rs 9,457,687.00 in thousand in F/Y 2060/61 and highest targeted loan collection amount is Rs 27,241,375.00 in thousand in FY 2064/65. Similarly the lowest growth rate on loan collection is 8.98 Percent in F/Y 2061/62 and the highest is 126.97 Percent in the F/Y 2063/64. Targeted loan collection's growth rate also fluctuated dramatically like targeted loan investment. It was 13.72 Percent in 2062/63 and it reached to 126.97 Percent in 2063/64 which was dramatic increase. The percentage of targeted loan collection to investment also increased from 90.09 Percent to 91.93 Percent in 2061/62 which was very good but it decreased to 83.83 Percent in FY 2062/63 after that year the growth rate increased very slowly.

Correlation coefficient calculated between targeted loan investment and collection is $\Gamma 0.9992 \rangle \Gamma 1$ (see Appendix III) which is perfect positively correlated. Coefficient of determination (*i.e* r^2 $X 0.9984 \rangle 1$) indicates that almost 100 Percent targeted loan collection (dependent variable) is explained by the targeted loan investment.

The tabulated critical value of t at 5 Percent level of significance for two tailed at 8 degree of freedom is 2.306 which is less that the calculated value of t (i.e. /t/ = 43.25). This means there is significant relationship between targeted loan investment and collection i.e. increase/decrease in investment also increase/decrease in collection.

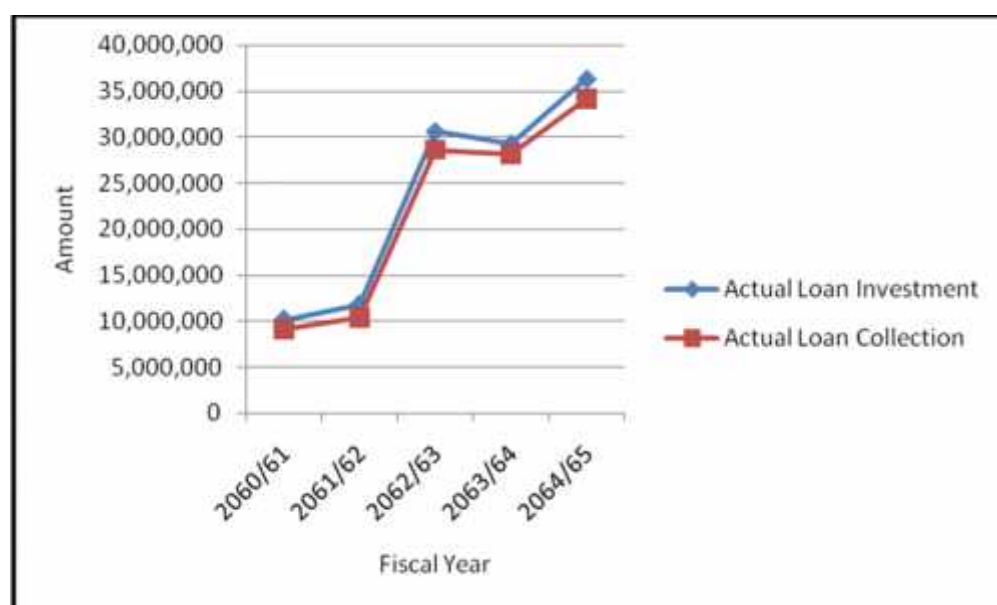**4.4.2 Actual Loan Investment and Collection**

Table 4.27

Actual Loan Investment and Collection

F/Y	Actual Loan Investment	Growth Rate	Actual Loan Collection	Growth Rate	% of Collection to Investment
2060/61	10,148,569		9,077,415		89.45
2061/62	11,817,057	16.44%	10,330,873	13.81%	87.42
2062/63	30,613,889	159.07%	28,612,217	176.96%	93.46
2063/64	29,285,522	-4.34%	28,155,899	-1.59%	96.14
2064/65	36,335,966	24.07%	34,171,617	21.37%	94.04

(Source: Annual Program and Budget from FY 2060/61 to 2064/65)

Figure 4.2

Line Diagram of Actual Loan Investment and Collection

From above table and chart, it is clear that ADB/N actual loan investment increased each year. The highest actual loan investment is Rs. 30,613,889.00 in thousand in 2062/63 and lowest is Rs 10,148,569 in thousand in FY 2060/61. Highest growth rate of it is 159.07 Percent in FY 2062/63 and lowest is –4.34 Percent in FY 2063/64.

The actual loan collection also increased every year expect in 2063/64. The lowest actual loan collection is Rs 9077.45 in thousand in FY 2060/61 and highest is Rs 34171612 in FY 2064/65 and it lowest growth rate is –1.59 Percent in FY 2063/64 and highest growth rate is 176.96Percent in FY 2062/63.

The percentage of actual loan collection to investment is in decreasing trend from FY 2060/61 to 2061/62 and it is in increasing trend from FY 2062/63 to 2064/65. The lowest percentage of actual loan collection to investment is 87.42 Percent and the highest is 96.14 Percent respectively.

The calculated correlation coefficient between Actual loan investment and collection is $\Gamma 0.9995 \rangle \Gamma 1$ (See Appendix IV)Which is perfect positively correlated. Coefficient of determination (*i.e r^2* X0.9990 $\rangle$ 1) indicates that almost 100 Percent Actual loan collection(dependent variable) is explained by the Actual loan investment.

The tabulated critical value of t at 5 Percent level of significance for two tailed at 8 degree of freedom is 2.306 which is less that the calculated value of t (i.e. /t/ = 54.61). This means there is significant relationship between Actual loan investment and collection i.e. increase/decrease in investment also increase/decrease in collection.

### 4.4.3 Actual Loan Outstanding and Collection

Table 4.28

Actual Loan Outstanding and Collection

F/Y	Loan Outstanding	Growth Rate	Loan Collection	Growth Rate	% of Collection to Outstanding
2060/61	19,686,829		9,077,415		46.11
2061/62	21,173,013	7.55%	10,330,873	13.81%	48.79
2062/63	33,310,746	57.33%	28,612,217	176.96%	85.89
2063/64	34,440,369	3.39%	28,155,899	-1.59%	81.75
2064/65	36,604,718	6.28%	34,171,617	21.37%	93.35

(Source: Annual Program and Budget from FY 2060/61 to 2064/65)

Figure 4.3

Line Diagram of Actual loan Outstanding and Collection
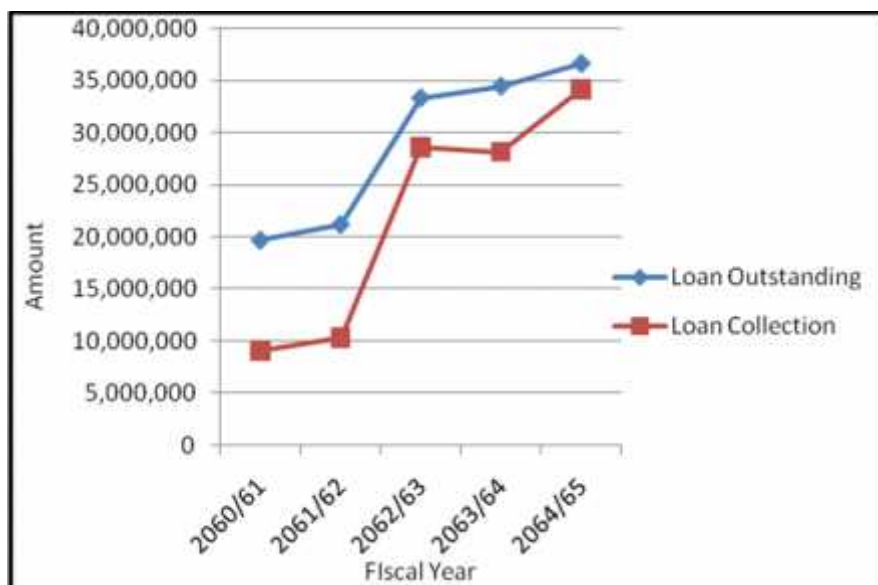
Loan outstanding of ADB/N is increased every year in decreasing trend. From above table and chart, it is clear that loan outstanding was very high in FY 2060/61 and FY 2061/62. But dramatically it decreased in FY 2062/63 and 2064/65. The highest loan outstanding amount is Rs36604718 in thousand in FY 2064/65 and lowest loan outstanding was Rs19686829 in thousand in FY 2060/61. The lowest growth rate of actual loan outstanding is 3.39 Percent in FY 2063/64 and highest is 57.33 Percent in FY 2062/63.

Actual loan collection is also increase every year. The lowest actual loan collection amount is Rs 9077415 in thousand in FY 2060/61 and highest is Rs 34171617 in thousand in FY 2064/65. The lowest growth rate on actual loan collection is –1.59 Percent in 2063/64 and highest is 176.96 Percent in FY 2062/63. The loan collection growth rate has been fluctuate every year. The percentage of actual loan collection to outstanding is increased very slowly in FY 2060/61 to FY 2061/62 and the growth rate is nearly double in FY 2062/63. The lowest growth percentage is 46.11 Percent in FY 2060/61 and highest is 93.35 Percent in FY 2064/65 respectively.

The calculated correlation coefficient between Actual loan Outstanding and collection is $\Gamma 0.9955 \rangle \Gamma 1$ (see Appendix V) which is perfect positively correlated. Coefficient of determination (*i.e* r^2 X0.9910 $\rangle$ 1) indicates that almost 100 Percent Actual loan collection (dependent variable) is explained by the Actual loan Outstanding.

The tabulated critical value of t at 5 Percent level of significance for two tailed at 8 degree of freedom is 2.306 which is less that the calculated value of t (i.e /t/ = 18.16). This means that there is significant relationship between Actual loan Outstanding and collection i.e. increase/decrease in Outstanding also increase/decrease in collection.

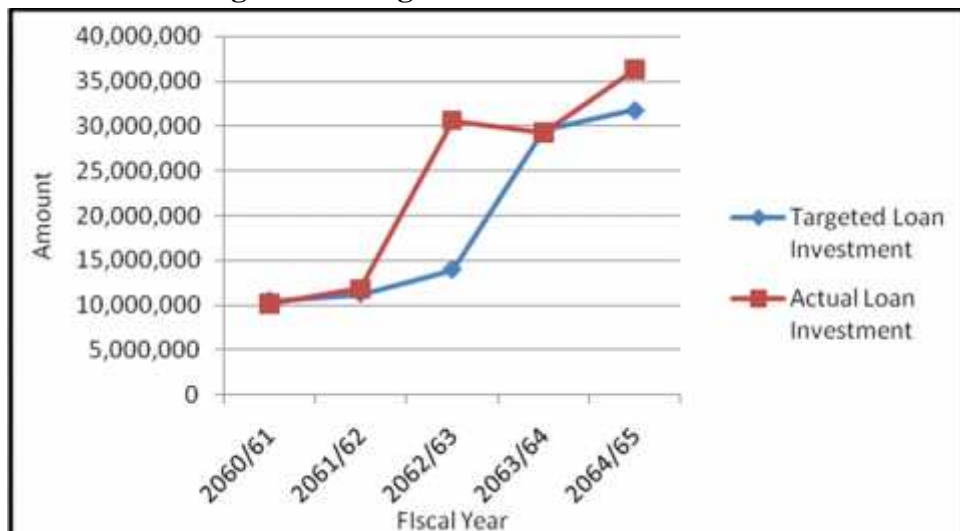### 4.4.4 Targeted and Actual Loan Investment

Table 4.29

Loan Investment

F/Y	Targeted Loan Investment	Actual Loan Investment	Ach %
2060/61	10,497,738	10,148,569	96.67
2061/62	11,272,370	11,817,057	104.83
2062/63	13,981,420	30,613,889	218.96
2063/64	29,442,018	29,285,522	99.47
2064/65	31,770,190	36,335,966	114.37

(Source: Annual Program and Budget from FY 2060/61 to 2064/65)

Figure 4.4

Line Diagram of Targeted and Actual Loan Investment

53

Above table and chart clearly shows that targeted loan investment is almost higher in every year than actual loan investment. The achievement of loan investment on targeted investment is 96.67 Percent in FY 2060/61, and it was 104.83 Percent in FY 2061/62 this indicates that loan investment is higher than targeted loan investment. In FY 2062/63, loan investment is more than two times higher than targeted loan investment. Dramatically the investment decreased to 99.47 Percent in FY 2063/64 and it again increased to 114.37 Percent in FY 2064/65 respectively.

Decision: Since the calculated $|t|$ (i.e. 0.6032) is smaller than tabulated $|t|$ (i.e. 2.3006) (See Appendix XI), we accept null hypothesis H_o (reject H_1) at 5 Percent level of significance or there is no significant difference between targeted loan investment and actual loan investment of ADB/N.

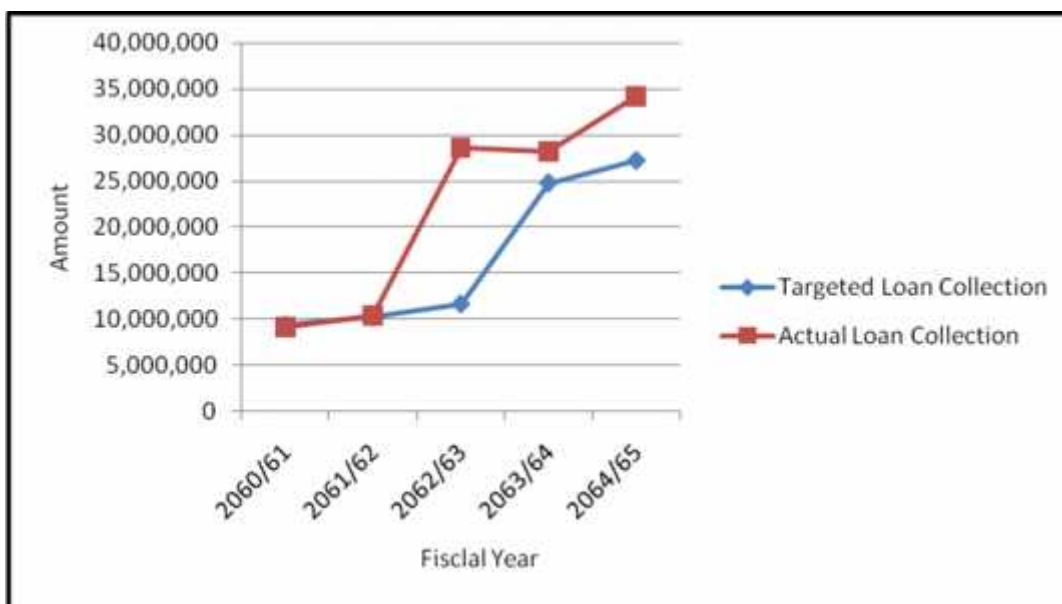### 4.4.5 Targeted and Actual Loan Collection

Table 4.30

Targeted and Actual Loan Collection

F/Y	Targeted Loan Collection	Actual Loan Collection	Ach %
2060/61	9,457,687	9,077,415	95.98
2061/62	10,306,829	10,330,873	100.23
2062/63	11,721,164	28,612,217	244.11
2063/64	24,808,267	28,155,899	113.49
2064/65	27,241,375	34,171,617	125.44

(Source: Annual Program and Budget from FY 2060/61 to 2064/65)

Figure 4.5

Line Diagram of Targeted and Actual Loan Collection

Above table and chart clearly shows that the forecast of targeted loan collection is failed in FY 2062/63, 2063/64 and 2064/65 respectively. Achievement of actual loan collection over targeted loan collection is 95.98 Percent in FY 2060/61, 100.23 Percent in FY 2061/62 and the actual loan collection is more than double (244.11 Percent) of targeted loan collection in FY 2062/63. It was 113.49 Percent in FY 2063/64, 125.44 Percent in FY 2064/65 respectively.

Decision: Since the calculated $|t|$ (i.e. 0.8334) is smaller than tabulated $|t|$ (i.e. 2.3006), (See Appendix VII) we accept null hypothesis H_o (reject H_1) at 5 Percent level of significance or there is no significant difference between targeted loan collection and actual loan collection of ADB/N.

4.4.6 T-test of Targeted and Actual Loan Investment

H_1 = Targeted Loan Investment

H_2 = Actual Loan Investment

a) Hypothesis First:

$H_o : \sim X_1 \, X \sim X_2$ (There is no significant different between the targeted loan investment and actual loan investment)

$H_1 : \sim X_1 \, X \sim X_2$ (There is significant different between the targeted loan investment and actual loan investment)

Decision: Since the calculated $|t|$ (see appendix VI) is smaller than tabulated $|t|$ (see appendix VI), we accept null hypothesis H_o (reject H_1) at 5 percent level of significance or there is no significant difference between targeted loan investment and actual loan investment of ADB/N.

4.4.7 T-test of Targeted and Actual Loan Collection

H_1 = Targeted Loan Collection

H_2 = Actual Loan Collection

a) Hypothesis First:

$H_o : \sim X_1 \, X \sim X_2$ (There is no significant different between the targeted loan collection and actual loan collection)

$H_1 : \sim X_1 \, X \sim X_2$ (There is significant different between the targeted loan collection and actual loan collection)

Decision: Since the calculated $|t|$ (see appendix VII) is smaller than tabulated $|t|$ (see appendix VII), we accept null hypothesis H_o (reject H_1) at 5 percent level of significance or there is no significant difference between targeted loan collection and actual loan collection of ADB/N.

4.5 Major Finding

From the analysis of this chapter, following general things are revealed.

4.5.1 Finding from Primary Data

Finding Obtained from Officials

- Almost all officials of ADB/N replied that they study pre-feasibility of agri-project before acceptance, service & other charges are reasonable, service of ADB to client should increase and outstanding loan is decreasing and the ADB follow punishment stages to client.

- Out of 100 Percent, 70 Percent officials said that ADB/N supervise and monitor its investment regularly and found the loan is used on same purpose, and the loan installment also pay on time. 30 Percent replied that loan investment is not supervise & monitor regularly and loan also are not used on same purpose & the client didn't pay installment on time.

- 20 Percent official said that lending policy of ADB need to change & 80 Percent are satisfy with present policies.

Finding Obtained from Farmers

- In the question of loan payment schedule and adaptation of modern technology almost all farmers know their loan payment schedule and are adopting modern technology.

- 50 Percent farmers said that generating income from ADB/N loan help them to fulfill family requirement, 33.33 Percent said that it help them little bit and 16.67 Percent said that loan was burden for them and difficult to pay its installment on time.

- Most of the farmers said that poverty, for employment, income & saving stimulate them to take loan from ADB/N and 83.33 Percent utilize the loan on same purpose and remain misuse the loan.

- 76.66 Percent said that agriculture product has short life so they sell it on national market and 23.33 Percent sell the product on local market. 60 Percent farmers said that inadequate income let them not to pay loan installment on time.

- After analyzing the data, we can easily found that farmers are encourage to take loan from ADB/N and starts polyfarming, agri-farming etc to generate income but present political situation and external environment is not helping them, due to that neither they generate income nor can pay loan installment on time. They faced problems in every angle and are harassed.

- The bankers reported significant difficulties at both stages of the credit process. Firstly the bankers reported difficulties in accumulating the information to evaluate borrowers and their projects. Secondly bankers reported problem regarding encouraging borrowers to repay and difficulties to seize collateral and implement legal action to collect bad debts. Although many of the problems are universal problems of bank lending, many seemed specific to transition economies in general and ADB/N in particular.

4.5.2 Finding Obtained from Secondary Data

- After analyzing the secondary data we come to know that there is no significance different between targeted loan investment & collection and Actual loan investment & collection. Percentage of targeted loan collection over targeted investment is little bit decreasing trend and the percentage of Actual loan collection over actual loan investment is increasing trend in every year.

- The actual loan collection over outstanding was low in FY 2060/61 and 2061/62. This resulted due to the extension of credit to some influential persons without sufficient collateral bank should analyze credit worthiness of its customer before lending. Similarly loan should be backed up by sufficient collateral. Before granting loan, bank should consider the repayment capacity of the borrowers so that chances of non-recovery of loan will be removed. After that it increased every year. In FY 2064/65 it reached to 93.35 Percent, which was very good. ADB/N follows different methods to recovery outstanding loan & got success too.

- The forecast to invest and collect loan was failed in FY 2062/63. The data analysis clearly shows that actual loan investment is greater than targeted loan investment every year. Similarly actual loan collection was also higher than actual loan investment in every year.

- Coefficient of correlation(r) is perfect positively correlated in all cases. Which means that the movement of targeted loan investment & collect, Actual lona investment and collection, and actual loan outstanding & collection is in same direction.

CHAPTER -V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter is a complete conclusive and suggestive package with contains summary, conclusions of the findings and actionable plans that would be meaningful to the top management of the bank to initiate actions for achieving desired result. Summary gives the brief introduction of all chapters of this research study and shows the actual fact of the present situation under the topic of the study. Conclusions of the findings are on the consequences of the analysis of relevant data by using various financial and statistical tools. Recommendations are presented according to the findings from research and what should do to overcome from present problems and not to repeat same mistake in future.

5.1 Summary

Nepal is one of the least developed countries in the world. It is small in size and landlocked by two big and most populated countries of the world. The poverty & less developed nature, the traditional financial sources have played a vital role for agriculture development. So, Nepal's economy is known as an agricultural economy, about more than 85 Percent of people are still depending in agriculture. The majority of people, 85 Percent are still living in rural area and approximate 30 Percent of Nepalese people are living below than poverty line.

When ADB/N is established in 1969 and it stated to grant around majority of formal institutional agricultural credits to farmers. ADB/N stated to regulate credit as well as aware people to get loan from institutions. Now majority of agricultural/rural credit is covered by financial institutes and ADB/N is in service with broad and extended network.

The main objective in conducting this research is to develop a sense of the state of the art of banking in Nepal by ADB/N as well as by others. On the basis of this understanding it is hoped to be able to make policy suggestions that would interest ADB/N in policy making but perhaps also for other banks as well. By putting the state of ADB/N, both

historical occasions of the development of agricultural banking systems and its contemporary situation both are analyzed. For this whole research is divided into five chapters.

In chapter one, a conceptual discussion of banking is mentioned and very specific and supportive objectives of research are kept. In my research, I focused on ADB/N's loan has been utilized or not? The general objectives of this research are to study target/actual loan investment outstanding and collection of ADB/N, Limitations are kept to study its data and information for the period of five years.

In chapter two, Literature related to this research are reviewed systematically as a preliminary search in order to generate and refine research ideas on loan disbursement and collection, credit/lending policy & collection procedure, lending documentation, loan approval process and lending conditions of ADB/N. For this, various publications of ADB/N, related text books, journals, magazines and past thesis are reviewed to have clear idea on research's subject matter.

In chapter three, research methodology, research design, such as statistical method of analyzing quantitative data and descriptive analysis for qualitative data are presented.

In chapter four, Data are collected through personal interview of banks officers and farmers and the collected data are analyze and presented in relevant table and figures.

In chapter five, analysis of data is performed. Finding obtain from analysis of data are presented and suggestions are given to make the loan disbursement & collection practice of ADB/N more effective & practical.

5.2 Conclusion

Actual loan investment is always greater than targeted loan investment likewise actual loan collection is always greater than targeted loan collection. So we can conclude that the forecast made on targeted loan investment & collection is incorrect. Similarly the

actual loan outstanding and collection is also increasing simultaneously. In all types of secondary data analysis we found that coefficient of correlation is highly positively correlated. This means that movement of both variables had same direction.

5.3 Recommendations

One of the major objectives of this thesis report writing is to provide some suggestions after analyzing the data of the ADB/N. The following suggestions will help to the organization, other related parties and the institutions which provides similar services to the people. The recommendations are as follows:

1. ADB/N should always try to sought out answers to two questions:

   First, how could bank make "normal" loans insuring that they are making "good" loans? Second, how could it get its money back on loans that have turned bad? Clearly, weaknesses at either stage could explain both past loan failures and present reluctance to lend.

2. Reputation can be effective in ensuring that borrowers fulfill their contracts. However, there is a general lack of credit reporting institutions to share information about credit-worthiness. Therefore, ADB/N should try to get information regarding borrower's reputation from various sources like family, friends and others who are in touch of borrows.

3. ADB/N should identify policy areas where improvement appears appropriate & necessary. And, required amendment should be done as soon as possible.

4. The heavy reliance on collateral imposes high costs on borrowers and lenders. Therefore, for collateral to work properly, ADB/N must be able to perfect the collateral and to dispose if it quickly.

5. ADB/N should maintain good relationship with farmers and customers to collect its outstanding. The reason of increasing such outstanding loan is because of political influences, loan defaulter, waiver an postponement which have been increasing due to depots and sub branches are merged in districts, access of bank in rural area lacking, loan outstanding includes over due loan and over due loan includes non performing loan. ADB/N should merged depots in rural parts of country. Each small branch should be treated as an individual profit centre

responsible for its own balance sheet. A profit linked pay scheme should be established that this system encourages staff to take responsibility for their branches. There should be trust from the bank from the community. ADB/N should classify different type of borrowers, reform programs should be continuously conducted and new modern banking technique should be introduced to provide quick service, to keep public relation to reduce loan outstanding as well as to invest in agriculture sector.

6. In the case of borrowers who are able but not repay their due loans, ADB/N should examine the borrowers past repayment records and corrective action

7. Poor recovery is the result of weak supervision, high interest and other charges laid by the bank, political interference and poor liquidity of the borrowers. So, it is recommended that the recovery policy and procedure must be exercised strictly. Strict supervision must be made for issuing the memorandum letter; supervision must visit at the lending field whether the borrowers utilize the total loan amount for concerned purpose or not. Supervisor must motivate the borrower to utilize the full amount of loan on particular purpose. Political interference and pressure must be neglected. The bank must reduce the interest rate for lending agriculture sector in such a way that the interest rate will be lower than prevailing interest rate. The commitment and service charge must be reduced.

8. Finally, fraud against banks is common, but typically it should not be ignored and should try to punish.

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Appendix - I

Survey Questionnaire to Clients of ADB/N or to Farmers

Name: ……………………………..   Date : 2066- 4- 20

Address : ……………………………

Sex : …………………………

1. How many years you have been in relation with ADB/N?

(i) less than 5 yrs ( )   (ii) Between 5-10 yrs ( )   (iii) More than 10 yrs ( )

2. Do you think the loan from ADB/N helped you?

(i) Help me a lot ( )   (ii) Help me little ( )   (iii) Didn't help me at all ( )

(iv) Loan was burdent ( )

3. Do you face any problem from the officials of ADB/N while taking loan?

(i) Yes ( )   (ii) Little bit ( )   (iii) No ( )

4. How would you felt in paying your last ADB/N loan?

(i) Difficult to pay ( ) (ii)within my capacity to pay ( )   (iii) Easy to pay ( )

5. What factor stimulated you to take loan from ADB/N?

(i) Poverty ( )   (ii) Employment ( )   (iii) Income and Saving ( )

(iv) All of above ( )

6. Do you utilize the loan of ADB/N for same purpose?

(i) Yes ( )   (ii) No ( )

7. Do you know about your loan repayment schedule?

(i) Yes ( )   (ii) No ( )

8. Do you adopt modern technology in your business?

(i) yes ( )   (ii) No ( )

9. Where do you sell your agricultural product?

(i) Local Market ( )   (ii) National Market ( )   (iii) International Market ( )

10. Where do you spend your agricultural income?

(i) Reinvest in your own agri-business ( )

(ii) To fulfill family requirement ( )

(iii) To invest in other requirement ( )

(iv) Save for future ( )

11. Do the official of ADB/N supervise and monitor your agri-business?

(i) Yes ( )

(ii) No ( )

12. Is the current rate of interest and other charges charged by ADB/N satisfactory?

(i) Yes ( )

(ii) No ( )

13. Do you face any problem from the official of the ADB/N while taking loan?

(i) Yes ( )

(ii) No ( )

14. Which one of the following factor lead you not to pay the loan taken from ADB/N on time?

(i) Inadequate income from agri-business ( )

(ii) Misuse of loan ( )

(iii) Lack of marketability of product ( )

(iv) Overvaluation of loan ( )

15. Do the loan of ADB/N improve your life standard?

(i) Yes ( )

(ii) No ( )

Thank You!

Appendix - II

Survey Questionnaire to Official of ADB/N

Name: ……………………………..   Date : 2066- 4- 20

Address : ……………………………

Sex : …………………………

1.Does ADB/N study pre-feasibility of the agri-project before acceptance?

(i) Yes ( )

(ii) No ( )

2. How frequently ADB/N supervise and monitor agricultural project after investment?

(i) Regularly ( )   (ii) Frequently ( )   (iii) Never ( )

3. In your opinion the lending policy and procedure of ADB/N is

(i) Not need to change ( )

(ii) Moderate ( )

(iii) Need to change ( )

4. Do you think that loan taken for agriculture purpose is used for same purpose?

(i) Yes ( )

(ii) No ( )

5. Do the debtors repay installment regularly?

(i) Yes ( )

(ii) No ( )

6. Do you think the service and other charges of ADB/N to farmers are reasonable?

(i) Yes ( )

(ii) No ( )

7. What is the trend of outstanding loan?

(i) Increasing ( )

(ii) Decreasing ( )

8. In this competent market, Do you think the service provided by ADB should be increase?

(i) Should be increase ( )

(ii) Not need to increase ( )

9. Why the client of ADB/N do not pay their loan on time?

(i) Inadequate income from agri-business ( )

(ii) Misuse of loan ( )

(iii) Lack of marketability of product ( )

(iv) Overvaluation of loan ( )

10. Do the bank follow the punishment stage to the debtors who doesn't pay loan on time?

(i) Yes ( )

(ii) No ( )

Appendix VI

Targeted and Actual Loan Investment

X_1 = Targeted Loan Investment

X_2 = Actual Loan Investment   in Rs '00,000,000'

F/Y	X_1			X_2		
2060/61	104.97	-88.95	7,912.10	101.49	-134.91	18,201.87
2061/62	112.72	-81.20	6,593.44	118.17	-118.23	13,978.20
2062/63	139.81	-54.11	2,927.44	306.14	69.74	4,863.51
2063/64	294.42	100.50	10,100.29	292.86	56.46	3,187.19
2064/65	317.70	123.78	15,321.96	363.36	126.96	16,118.76

$N = 5$

Test Statistic,

70

Degree of freedom (Df) = $N_1 + N_2 - 2$

$$= 5 + 5 - 2$$

$$= 8$$

Level of
Significance

$= 0.05$ (5%)

From table, tabulated ($t_{0.05,8}$) = 2.3006

Appendix VII

Targeted and Actual Loan Collection

X_1 = Targeted Loan Collection

X_2 = Actual Loan Collection   in Rs '00,000,000'

F/Y	X_1			X_2		
2060/61	94.58	-72.49	5255.25	90.77	-129.92	16878.13
2061/62	103.07	-64.00	4096.22	103.31	-117.38	13778.36
2062/63	117.21	-49.86	2485.86	286.12	65.43	4281.37
2063/64	248.08	81.01	6563.05	281.56	60.87	3705.03
2064/65	272.41	105.34	11097.31	341.72	121.03	14647.33

N = 5

Test Statistic,

Degree of freedom (Df) = $N_1 + N_2 - 2$

$\qquad = 5 + 5 - 2$

$\qquad = 8$

Level of Significance

$\qquad = 0.05\ (5\ \%)$

From table, tabulated $(t_{0.05,8}) = 2.3006$