A STUDY ON LOAN MANAGEMENT OF AGRICULTURE DEVELOPMENT BANK LTD. NEPAL

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RECOMMENDATION

This is to certify that the thesis

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has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.

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VIVA – VOCE SHEET

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And found the thesis to be original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfilment of the requirement for

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DECLARATION

I here by declare that the work reported in this thesis entitled **"A STUDY OF LOAN MANAGEMENT OF AGRICULTURE DEVELOPMENT BANK LTD. NEPAL"** submitted to Shankar Dev Campus, Faculty of Management, Tribhuvan University, is my original work done on the form of partial fulfilment of the requirement for the Master's Degree in Business Study (M.B.S) under the supervision of Mr. Rabindra Bhattarai and Mr. Shashikant Mainali, Lecturer of Shankar Dev Campus.

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Amir Shakya

ABBREVIATIONS

ADBL	Agriculture Development Bank Limited
ASARRD	Asian Survey of Agrarian Reform and Rural Development
B.S.	Bikram Sambat
BAFIO	Bank and Financial Institution Ordinance
CTI	Central Training Institute
FY	Fiscal Year
GTZ	German Agency for Technical Co-operation
IDP	Institutional Development Program
LRSC	Land Reform Saving Corporation
NRB	Nepal Rastra Bank
RBB	Rastriya Banijya Bank
ROs	Regional Officers
RTC	Regional Training Centre
SFCL	Small Farmers Co-operative Lmited
SFDP	Small Farm Development Project
SKBB	Sana Kisan Bikas Bank
t^*	Calculated value of t-test
UNDP	United Nation Development Project
WDP	Woman Development Program

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CHAPTER I

INTRODUCTION

1.1 Background of the Study

The surge of rising anticipation and ambition of people at present context of society, realized the need for rapid socio-economic development in the nation building process. The government felt to impart a dynamic role and charge the public sector with greater responsibility in fulfilling national goals and objectives. With this realization the government mushroomed into a number of establishments like agriculture, industry, commerce, public works, transport, etc.In this circumstance, banking was seen as major industry to uplift the economic conditions of public and country as well. Therefore the government was forced to adopt a liberal economic policy regarding operation of banks. About the financial liberalization process it and said that "the interest rate deregulation curtailment or elimination of directed credits, lifting entry and exit barriers for financial intermediaries, restructuring of banking system and institution for regulatory and supervisory mechanism is some of the key components of such liberalization". This led to the influx of commercial banks in Nepal.

The word "Bank" was brought form French word "Banque" and Italian word "Banca"; which means a bench to advance loan and to exchange money. By given definition of banks, it is clear that the organizations that accepts the deposits and provide the loan, is bank. Bank provide loan not only form deposited amount but also creates the money for loan.

Banks are those financial intermediaries who accept deposit and grants loan. In other word bank may be defined as financial intermediaries accepting deposits and granting loans; offers the widest menu of services of any financial institution. Certainty banks can be identified by the functions they perform in the economy. "Indeed, many financial institutions-including security dealers, brokerage firms, mutual funds, and insurance companies are trying to be as similar as possible to banks in the services they offer". *(Rose; 2002: 2.)*

Bank plays a vital role in developing economy of any country. It is a resource mobilizing institution which accepts deposit form various source and invest such accumulated resources in the field of agriculture, trade, commerce, industry, tourism etc. "The banking sector is largely responsible for collecting household   saving in terms of different types of deposit and regulating it in the society by lending in different sector of economy. But lending their resources in small scale industries under intensive banking program has enabled the bank is to share in the economic growth of the economy". *(Shrestha;1993:32)*

Banks are among the most important financial institutions in the economy. They are the principal source of credit (loan able funds) for million of individual and families and for many units of government (school districts, cities, countries, etc). Moreover, for small local business ranging form grocery stores to automobile dealers, banks are after the major source of credit to stork the shelve with merchandise or to fill a dealer's showroom with new cars. When business and consumers must make payment for purchase of goods and services, more often than not they use bank-provided checks, credit or debit cards, or electronic device connected to a computer

network. And when they need financial information and financial planning, it is the banker to whom they turn most frequently for advice and counsel.

Above all else, banks are financial intermediaries, similar to credit unions, insurance companies, and other institutions selling financial services. The term financial intermediary simply means a business that interacts with two types of individuals and institutions in the economy:

1) deficit-spending individuals and institutions, whose current receipts of income exceed their current receipts of income and who, therefore, need to raise funds extremely through borrowing.

2) surplus-spending individuals and institutions, whose currently receipts of income exceed their current expenditures on good and services so they have surplus funds to save and invest. Banks perform the indispensable task on intermediating between these two groups, offering convenient financial services to surplus spending individuals and instructions in order to attract funds and then loaning those funds of deficit-spending indivisual institution. There is an ongoing debate in the theory of finance and economics about why banks exist. What essential services do banks provide that other business and individual cannot provide form themselves?

This question has proven to extremely difficult to answer. Research evidence has accumulated over many years showing that our financial system and financial markets are extremely efficient. Funds and information flow readily to both lender and borrowers, and the prices of loans and securities seem to be determined in highly competitive markets. In a perfectly competitive and efficient financial system, in which all participants have open and equal access to the financial markets and can borrow and lend at the same interest

rate, in which no one participant can exercise control over interest rates or prices, in which all pertinent information affecting the value of loans, securities and other assets is readily available to all market participants at negligible cost, in which transactions costs are not significant impediments to trading assets, and all loans and securities are available demolitions to anyone can afford, why would banks be needed at all?

Another contribution banks make is their willingness to accept risky loans from borrowers, while issuing low-risk securities to their depositors. In effect, banks engage in risky arbitrage across the financial markets.

Banks also satisfy the strong need of many customers for liquidity. Financial instruments are liquid if they can sell quickly in a ready market with little risk of loss to the seller. Many households and businesses, for instance, demand large precautionary balances of liquid funds to cover expected future cash needs and to mean emergencies. Banks satisfy this need by offering high liquidity in the deposits they sell and in the loan they provide, giving borrowers access to liquid funds to spend precisely when those funds are needed.

The history of modern banking system in Nepal started only after the establishment of Nepal Bank Ltd.in 1936 A.D. After that Nepal Rastra Bank (NRB) was established as Central Bank in 1956 A.D. and following that was Rastriya Banijya Bank (RBB) established in 2022 B.S. under RBB Act 2021. Since then many banks have been established till now. Bank is among the most important financial institutions in the economy and is absolutely essential for business in thousand of towns and cities. Banks must be identified by the functions (services and roles) it performs in the economy. Different types of banks also emerged in the banking industry specializing in different functional areas, which are explained as below:

A) <u>Commercial Banks</u>

Commercial banks are those banks, which perform all kinds of banking functions as accepting deposits, advancing loans, credit creation, and agency functions. They provide short-term loan, medium term loans and loan terms loans to trade and industry. Nepal Bank Ltd., Investment Banks are the examples of commercial banks in Nepal.

B) <u>Development Banks</u>

Development banks are those banks whose aim is not to earn profit. Development banks are of two types. The second development bank finances loans in the infrastructural development in country. Their first type of development of bank in Nepal is Agricultural Development Bank and Eastern Development Bank etc.

C) <u>Exchange Bank</u>

Exchange banks are those banks, which deals in feign exchange and specialize in financing foreign trade. An Exchange specializes in financing the foreign trade. We find specialized exchange bank in Nepal as Rastrya Banijya Bank.

D) <u>Saving Banks</u>

Saving banks are specialized institutions that induce small income groups to save something out of their incomes and pool such saving. They are entitling

for withdrawals also. Postal saving scheme is one of the types of saving bank in Nepal.

E) <u>Central Bank</u>

The central bank is apex bank in a country that controls all monetary system and banking structure. Nepal Rastra Bank is the example of Central Bank in Nepal.

F) <u>Industrial Banks</u>

Industrial banks are those banks, which provide short-term, medium-term, and long-term loans for the establishment of industries in the country. Nepal Industrial Development Corporation works as the industrial bank in Nepal.

G) <u>Co-operative Banks</u>

Co-operative banks are those banks that operate on the principal of co-operation. They collect small deposits, mobilize small savings and provide short-term and medium-term loans to their members. There are numbers of banks operating in Nepal at present.

H) <u>Merchant Bank</u>

Merchant banks also accept time deposits and finance in trade and industry. The main source of capital of merchant banks are the time deposits and by the issue of securities. Generally, they underwrite the fresh issue of share and debentures of Business Corporation. Nepal Sri-lanka Merchant bank is an example of merchant bank of Nepal.

I) Mutual Funds

Mutual funds are also a type of bank who collects money by selling its shares and securities and invest the receipts in secured markets. It is very useful who do not want to bear maximum risk in their investment

J) Pension Funds

Pension Funds accept legitimate deposits from employees of different organizations. While they provide loans to different financial institutions and sometimes participate in the financing in trade and industry. Employee provident Fund is a good example of pension fund on Nepal.

K) Housing Banks

Banks collect deposits by time deposits and selling securities in the capital markets whereas they finance in the development of house in the country are called Housing Banks. Nepal Housing Development Finance Co. Ltd. is the example of housing bank in Nepal.

L) Equipment Bank

Banks who extends specialized financial services to the construction companies for buying costly equipments and to operate construction business is know as Equipment Banks.

Nowadays, two types of banking practices are seen in the financial market, Commercial banking and Development banking. The commercial banks usually make business in urban areas whereas development banks provide services in rural areas. In the commercial lending, usually the same client is repeated if loan repaid. But in development finance if such repetition occurs, the outreach could not be extended. Generally development banks are established with the public funds such as government treasury for the international financial institutions for the development. *(Kunwar; 2003: 249)*

1.2 Background of Agriculture Development Bank Ltd.

Because of agriculture being a backbone of our national economy, Nepal is known as agriculture based country. Still 68% of total population depends on agriculture and agro-based industries. The sector alone contributes 38.80% of GDP, so agriculture plays a vital role in Nepalese economy. We therefore should give more attention to the development of agriculture sector.

Agricultural development plays vital role to increase in income and output, it implies a higher rate of saving & hence a higher rate of investment. As income rise the market for manufacturing goods will also expand. Such expansion will stimulate industrial development in the country. Increase in agriculture productivity means an increase in food supply which is required to feed growing population and other investment works. Expanded agriculture will also supply raw materials for industrialization. If the agriculture productivity can be increased quiet substantially within a short period, there is every possibility of some exportable surplus of food and raw material as well. Such surplus can be changed for capital goods which Nepal can not produce herself. This will minimize the level of our dependence upon foreign resources for capital goods.

By above discussion, it shows that agriculture is the pillar of Nepalese economy. Economic development is possible only the development of agricultural production and failure of the agricultural production disrupt the continuous growth of economic atmosphere.

Grasping the fact that agriculture is the main source of Nepalese economy the government retried to develop institutional financial agencies after the down of democracy in 1951 in the country. In 1963 cooperative bank was established and provided loan only to the cooperatives and there was no provision for extending loan to the individuals outside the cooperatives. In 1966 land reform saving corporations (LRSC) was established to mobilize the compulsory saving generated at the village level and provided agricultural credit to the needy once. Both of these institutional credit arrangements had limited agricultural finance scope. As a result, the government in 1968 (2024 B.S.) initiated the ADBN under the agricultural development bank act 1967 in hearting the assets and liabilities of the cooperative bank. The ADBN so formed and focused on the agricultural credit massively towards assessable community. Latter in 1973 the LRSC was also merged with the ADBN.

Small Farm Development Project (SFDP) was conducted since 1975 as specific poverty alleviation and program as an aim of improving the life standard of small farmers, tenants and landless labourer, SFCL is an out come of SFDP. In 1993, ADBN initiated farmer's co-operative approach by transferring SFDP into the Small Framers Co-operative Limited (SFCL). So SFDP is a pioneer of Rural/micro financing tool of eradicating poverty and empowering ultra poor by bringing them in the main stream of development process through social mobilization. Rural/micro financial constitutes mobilization of saving and extension of credit. Micro finance uplifts

socioeconomic condition of ultra poor as well as provides financial and non financial services. SFCL has been operating in Nepal by Apex Bank called Snana Kishan Bikas Bank (SKBB). Poverty alleviation is the main objectives of Nepal since 8th plan. Agriculture is the chief support to alleviation poverty and to achieve sustainable economic development in rural economy. Tenth plan and program is conducted as campaign and concluded to 31% poverty reduction. ADBL is a sole financial institution in the country executing its activities by three major windows namely Developing Financing, Commercial Banking and Small Farmers Development. Government has also determined fixed priority sector on agricultural such as chemical fertilizer, agric business etc. including seventy-nine subheading. In addition of ADBL, micro credit will be provided and ultra poor through SFCLs, SACCOPs, and NGOs/INGOs. Financial resources/support will be given rural micro finance development center to strengthen institution provision. RMDC will provide whole sale/refinancing credit to Gramin Bikas Bank and other financial institutions. But the major portion of the rural/agriculture credit will be invested through ADBL and NRB supervise and monitor to rural and agricultural credit.

The enactment of Bank and Financial Institution Ordinance (BAFIO) in February 2004 abolished all Acts related to financial institutions including the ADBN Act, 1967. In line with the BAFIO, ADBL has been incorporated as a public limited company on July 14, 2005 (30th Ashad the 2062 B.S.). Thus, ADBL operates as a "A" category financial Institution under the legal framework of BAFIO and the Company Act, 2053.

Only a few studies have been conducted on "Loan management of ADBL". Except them, ADBL there are other development banks and micro finance institution operating in Nepal but the financial problem especially in the field

of development credit sector is not yet solved. So the necessity of study is felt and done. This study may be millstone Nepalese context especially in the field of development credit and having significance and value to society.

1.3. Main Function of ADBL

The major Functions of ADBL are:

a) Provide short, medium and long term agricultural credit to individual farmers, small farmers groups and co-operative societies.

b) Provide loan along with technical services for purchasing farm inputs such as chemical fertilizers, insecticides, animal feeds, and farm machinery and irrigation schemes development.

c) Invest loan for livestock raising

d) Finance on cottage and small scale industries

e) Invest loan for cold store, warehousing and other marketing facilities.

f) Provide loan for the development of alternative energy sources.

g) Develop institutional development programs by transferring small farmers development program (SFDP) into small farmers co-operative limited (SFCL)

h) Execute commercial banking functions

i) Organize knowledge and skill oriented training and workshop for human

resource development.

1.4. Major programs of ADBL

1.4.1 Development Financing Program

ADBL initiated development-financing program to improve economic condition of the rural people by increasing productivity in agricultural practices. In the context ADBL has been providing agricultural credit and technical support in various activities such as cereal and cash crop, tea and coffee production, live stock raising, irrigation, horticulture cottage industry, energy sector and fisheries development. An attempt to study the trend of investment, collection and outstanding loan of development financing sectors for five years has been carried out.

1.4.2 Commercial Banking Program

The major goal of initiating commercial banking operation is to collect scattered saving form the resource surplus area and investing the same in resource deficit areas through agricultural lending. In addition to this, it contributes the organization becoming self-reliance of financial sector.

Commercial Banks of ADBL, since inception in 1984 have accorded top priority to the collection of deposit form both public and organization institutions. The banks have been successful to attract a large number of depositors by providing distinct services in commercials banking sector.

To strength resources base of the bank, compensate the loss incurred by its rural offices, and maintain liquidity and above all to accelerate the momentum of the industrial and commercial development of the country, the bank started commercial lending form 1991.

1.4.3. Small Farmer Development Program (SFDP)

Small framer development program (SFDP) was imitated in 1975. It was the outcome of the FAO/UNDP joint regional project named "Asian Survey of Agrarian Reform and Rural Development (ASARRD), which recognized the fact that special efforts were needed to support the poor and disadvantage groups.As a pilot project in Nepal, it was first tested a Mahendranagar (Tarrai/Plain region) in August 1975 and at Tupche in Nawakot District (Hill Region) in Feb-1976. The Agricultural Development Bank Ltd. of Nepal (ADBL) was entrusted with the responsibility of executing the project. The rural farmer whose income is less than Rs. 2500 per capital is considered as target group. Moreover, land less agricultural labors; tenants, sharecropper, fisherman and other assets less rural people whose are depending on agricultural related occupation are considered as small framers.

The main objective of the programs to raise the social-economic status of the farmers, land less labors including women by bringing them into the mainstream of the development process and by institutional development of their own grass-root level organizations. The group approach and bottom up planning are the main fundamental characteristics of this program to provide development services to the rural poor.

The main objective of the program is to raise the socio-economic status of the small farmers, land less labors including women by bringing them into the mainstream of the development process and by institutional development of their own grass-root level organizations. However the specific objects are to :

a) Raise the income level of small farmers by increasing their production and

productivity of on-farm as well as off-farm activities.

b) Raise their social status by empowering and involving them in social and community activities.

c) Create additional opportunity for employment generation by mobilizing their skill, labour, locally available resources in meaningful and productive manner.

d) Enable small farmers to develop their own institutions and formulate plan and programs and implement them accordingly at grass roots level.
Source: ADBL Website

1.4.4. Small Farmers Co-operative Limited (SFCL)

Small farmer Co-operative limited refers to the small framers organization, which is developed with the view to building up institutional management capacity to implement SFDP. In other words, it is the organization of the poor populace developed by the poor to help the poor mitigate poverty. This effort made small farmers capable of planning implementing, monitoring and evaluating the programs from their own levels for the benefit of small farmer's families on one hand and minimizing the operational cost for implementing SFDP on the other. It is an innovative an approach developed with in the SFDP program and is based on the participatory approach. ADBN it has planned to implement this program in all SPOS and gradually hand over these SPOS to the small farmers. Bank has adopted specific package for SPO Selected for IDP process and general package for SPOs trying to enter in the process of IDP.

SFCL model is one the local resources based institutions or programs. To strengthen its structure and develop leadership capability the German

Agency for Technical co-operation (GTZ) has been providing te4chnical assistance in SFCL training program. ADBL has been providing support in monitoring and supervision, re-financing facilities and coordinating them for training, social and community development activities. Similarly, for the cost couple of years HMGN provided some grants for community development activities.

1.4.5. Sana Kishan Bikas Bank limited (SKBBL)

Agriculture development bank, Nepal initiated institutional development program by transforming sub-project offices (SPOs) implemented under small framer development program into small framer co-operative limited (SFCL). The bank under took such measures considering that development project fails to yield desired results unless participation of beneficiaries is ensured. Institutional development of small farmers development program (SFDP) is considered as an innovative approach at rural development for the rural poor get their status improved with the help of their own institution operating without any external interventions. The German Technical Co-operation (GTZ) has extended continuous technical support to the institution development of SFDP.

SFCLK is a grass-root micro finance institution, which is owned, managed and controlled by the member of small formers themselves. It emphasizes on skill development, woman empowerment, leadership development, local resources utilization mutual co-operation and above all social mobilization etc. However, in view of the question of sustainability of most of the grass-root micro finance, SFCL share required to have strong backing of an open institution which could not only extend financial but also technical, managerial and other supports as per their needs.

Sana Kishan Bikash Bank Ltd. emerged as specialized wholesale lending financial institution to meet the above stated requirements of SFCLs, which are currently serving around 65 thousand poor households. It has at present planned to extend service to the existing 188 SFCL operating through the country in addition, the bank will extend service to all the subsequently emerged SFCLs.

1.5. Focus Of The Study

The establishment of the banks has given new horizon to the institutional financial sector of Nepal. Disbursement and collection procedure is widely accepted and common are of banks. Term "loan management" especially focused on the management of loan distribute management of loan distribution and collection procedures, security of loan, chandelling and monitoring. So, all the activities following by the bank for the disbursement and collection of loan is known as loan management. This study is focus on total management regarding loan disbursement and collection procedure of ADBL which has managed accordingly or not.

1.6. Statement of Problem

Nepal is facing lots on problem for economic as well as agricultural development sector. Agricultural production in Nepal is mostly depended and influenced by monsoon. Besides this agricultural production depends on many other factors like climate, quality and quantity of resources using by the farmers and technical knowledge possess by them.

Similarly, in rural area, farmers are born in debt live in debt and die in debt. It seems convenience matter that they can get loan form money lender easily but the negative side of this system is that the borrower could be victim of lender strategy and become landless and poor farmer. On the other hand

political insatiability and insurgency of the country is another major scenario which has been affecting rural agricultural sector s since last decade.

However, it is good and positive matter to all Nepalese that we can get loan form that kind of banks but is the ADBL's program sufficient to provide adequate loan for all Nepalese? Why the banks are only concentrating on the urban areas? Why don't they want to extend their branch in the rural and remote area? What is the reason for this?

This research paper attempts to shows the effective application of loan management within the conceptual framework of loan disbursement and collection procedure. Besides this, the preset study intends to explore the following basis research questions, seeks to bridge the present gap of potential borrowers and banking institutions.

a) What is the process of receiving loan from ADBL and returning it in time?

b) Can we get the institutional credit form ADBL easily?

c) What is the situation of outstanding loan?

d) What steps should be taken to improve the lending and recovery procedure of disbursement loan?

1.7. Objectives of the Study

The main objective of the present study is to evaluate the loan disbursement and collection procedure of ADBL. In accordance to this main objective the study will try to meet the following specific objectives.

a) To examine the loan disbursement and collection procedure of ADBL.

b) To evaluate the trend of loan investment, collection and outstanding.

c) To show the achievement of purpose wise and term wise loan disbursement, outstanding and collection of ADBL.

d) To study lending policy, interest rate change by ADBL.

e) To suggest some remedies for improving loan disbursement and collection procedure of ADBL.

1.8. Significance Of Study

ADBL is one of the major financial institutions supporting to the rural and urban people for institutional credit. Many lending agencies are present in Nepal but agricultural financing problem has not been solved yet. In other words ADBL is contributing more than 79 percentage of institutional credit to the rural populace by strengthening its network in all over the country. Non-institutional financing still now plays a vital role in rural area. This study provides some information to analyze the data and some occurring problems for specific field. This study tries to focus the ADBL's disbursement and collection procedure so that all Nepalese farmers and other entrepreneur can get some knowledge about receiving the institutional credit form ADBL easily. In the context of Nepal, very few studies and research have been made related to loan disbursement and collection procedure of ADBL. Out of this, there is some importance of the study.

a) To the bank (ADBL)

b) To the targeted entrepreneur and farmers.

c) To the policy makers

d) To the interested person and scholars.

1.9. Limitation of the Study

Today world is dynamic, every things existing here are of limit character. Likewise, this study is also surrounded by limitations. This study is for the partial fulfilment of MBS course of T.U., so it may not be useful for the other aspects. The limitations of the study are as follows:

a) This study mainly concerns with ADBL.

b) This study focuses mainly on loan disbursement and collection procedure.

c) Data, which is used in study, are of last 7 years ending F/Y 2063/64.

d) Availability of relevant data and other information will be determined its scope.

1.10. Organization Of The Study

This study has been comprised into five chapters, each devoted to some aspects loan management of ADBL. The titles of each of these chapters are summarized and the contents of each of these chapters of this study are briefly mentioned here.

Chapter I	:	Introduction
Chapter II	:	Review of Literature
Chapter III	:	Research Methodology
Chapter IV	:	Presentation and Analysis of Data
Chapter V	:	Summery, Conclusion and Recommendations.

The first chapter, Introduction, deals with the meaning of bank, brief historical background of ADBL, statement of problem, objectives, importance, research methodology and chapter scheme of the study.

The second chapter, review of literature includes some work, analysis and discussion already made in the field of banks in various planning periods and finally, a brief review of previous research works specially made in respect of disbursement and collection procedure.

The third chapter, research methodology deals with research design, period covered, types and sources of data, data collection procedure, method of analysis and analytical tools used.

In fourth chapter collected data through various sources have been presented. It mainly consist the analysis of various types of data regarding disbursement and collection as well as recovery rate of ADBL.

The fifth and the final chapter is concerned with the suggestive framework that consists with the overall findings, issues and gaps, conclusions ,findings and recommendations of the study.

CHAPTER II

REVIEW OF LITERATURE

Review of literature comprises of previous research study articles concerned with this study and other studies with a view for supplement the present research and such review adds to the dimension of the study. This chapter deals with review of books, review of journals and articles and review of thesis.

This chapter is comprehensive study on the conceptual framework review of books, journals and various researches regarding loan management of ADBL. Review of Literature can be studied by dividing it in the following ways:

- Conceptual Framework
- Review of Journals and Articles
- Review of Thesis

2.1. Conceptual Framework

In this section, various books are reviewed that are written by the different writers that make clear about the conceptual foundation of loan management. It helps to assess new idea by examining views of different writers and scholars.

"A development bank establishes either by the government for (certain) balanced development of that country or private sector as the act provided by government. While the private sector tries to do so, they should provide necessary founds them. But we need to know what are their

functions, duties and responsibilities. We also describe their policies, strategies and procedures for long-run effectiveness. This should be understandable point.

General Principal of development bank is to provide loans to needy person/group who want to develop their socio-economic condition because some people have skill and knowledge but lack of money. The development bank will serve such people by providing loans. A development bank must care the operation of the loaner, their supervision and inspections should play a significant role after disbursement the loan to them. So an important task of a development financial institution is to establish close and constructive contracts with its clients." *(Diamond; 1960; 61)*

"The bank has been playing important role for agriculture development increased agro production. The bank introduced reform program has focused priority to make the farmers more laborious, take loans with refundable loans over due and restructure past due loans. While restructuring loans over due and chronic loans have been renewed giving financial discount on capital & invest amount." *(Panta; 1971; 234)*

"Both demand and supply side of agriculture finance in Nepal. In demand side, he has mentioned demand for credit, in datedness, investment and disinvestments. Similarly, in the supply side, he has discussed moneylenders, debt and legislation, co-operative and compulsory saving scheme. He also mentioned the importance and role of moneylenders on agricultural financing." *(Jha; 1978; 97)*

"Development banking implies not only large scale sanction of assistance but also stringent supervision of the proper use of credit. The

development banks do not seem to have paid due attention to the latter aspect. Apart form a lot of public money being wasted, this is likely to impair the ability of their institutions to sustain the current level of their financing operation. In this connection the role of nominee directors assumes special significance." *(Khan; 1982; 432)*

2.1.1. Concept of Bank

Simply, banks are those financial intermediaries who accept deposit and grants loan. In other words bank may be defined as financial mediator acceptation deposits and granting loans offers the widest menu of service of any financial institution. Certainly bank can be identity by the functions they perform in the economy. "In deed many financial institutions including security dealer brokerage firm mutual funds and insurance companies are trying to be similar as possible to bank in the services they offer."

Nowadays, two of banking practices are seen in the rural financial market, commercial banking and development banking. The commercial banks usually make business in urban areas where as development banks provide services in rural areas. In the commercial lending, usually the same client is repeated if loan repaid. But in development finance if such repetition occurs, the outreach could not be extended. Generally development banks are established with the public funds such as government treasury or the international financial institutions for the development.

2.1.2.Agricultural development Bank

With the main objective of providing institutional credit for enhancing the production and productivity of the agricultural sector in the country, the

Agricultural Development Bank, Nepal was established in 1968 under the ADBN Act 1967, as successor to the cooperative Bank. The Land Reform Savings Corporation was merged with ADBN in 1973. Subsequent amendments to the Act empowered the bank to extend credit to small farmers under group liability and expand the scope of financing to promote cottage industries. The amendments also permitted the bank to engage in commercial banking activities for the mobilization of domestic resources.

Agricultural Development Bank Limited (ADBL) is an autonomous organization largely owned by Government of Nepal. The bank has been working as a premier rural credit institution since the last three decades, contributing a more than 67 percent of institutional credit supply in the country. Hence, rural finance is the principal operational area of ADBL. Besides, it has also been executing Small Farmer Development Program (SFDP), the major poverty alleviation program launched in the country. Furthermore, the bank has also been involved in commercial banking operations since 1984.

The enactment of Bank and Financial Institution Ordinance (BAFIO) in February 2004 abolished all Acts related to financial institutions including the ADBN Act, 1967. In line with the BAFIO, ADBL has been incorporated as a public limited company. Thus, ADBL operates as an "A" category financial Institution under the legal framework of BAFIO and the Company Act, 2053. *(www.adbl.com.np, July 14, 2005)*

2.1.3. Credit policy of Bank *(Rose; 2002:525)*

In providing loans to its costumer, a bank has to follow a sound credit policy and conduct the business of lending on the basis of certain fund 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 component:

a) Safety of Funds
b) Liquidity
c) Security
d) Purpose of loan
e) Profitability
f) Spread or loan mix
g) National interest

2.1.4. Establishing a Written Loan Policy *(Shrestha; 2006; 242)*

It is essential to establish a written loan policy to make sure that its loans meet all regulatory standards and are profitable. Such a policy gives loan officer specific guideline in making individual loan decisions and in shaping the bank's overall loan portfolio. The actual makeup of a bank's loan portfolio should reflect what its loan policy says. Otherwise, the loan policy is not functioning effectively and should be either revised or more strongly enforced by senior management.

A written loan policy statement carries a number of advantages for the bank adopting it. It communicates to employees working fin the loan department what procedures they must follow and what their responsibilities are. It helps the bank move toward a loan portfolio that can successfully blend multiple objectives. The loan policy should be written in such a way that it should

guide in promoting the bank's profitability, controlling its risk exposure and satisfying regulatory requirements.

1. **Characteristics of a Good Loan Portfolio :** The loan should specify the characteristics of a good loan portfolio for the bank in terms of types, maturities, sizes and quality of loans.

2. **Specification of Lending Authority :** The specifications of the lending authority should be given to each loan officer and loan committee. This helps to measure the maximum amount and types of loan that each person and committee can approve.

3. **Line of Responsibility :** There should be the lines of responsibility in making assignment and reporting information within the loan department.

4. **Documentation :** All documents required for loan should ne determined clearly. That is to accompany each loan application and bank's credit file. Basically, financial statement, security and agreements are the main documents to be attached with loan file.

5. **Collateral Guidelines :** All essential guidelines should be established for taking, evaluating and perfecting loan collateral.

6. **Loan Limit :** The preferred upper limit for total loans outstanding should be determined in the loan management. It specifies the maximum ratio of total loans to total assets allowed.

7. **Loan Area :** A description of the bank's principal trade area should be made in the loan management, which most loans should come from.

8. Solving Loan Problems : There should be a discussion of the preferred procedures for detecting, analyzing, and working out problem loan situations.

2.1.5. Steps in the Lending Process *(Shrestha; 2006; 244)*

The lending process may vary according to size and types of loans. However, there is certain lending process followed by most banks. The principal lending process has the following steps in general :

1. **Loan Application**

    Most individual loans 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 arises from contacts by bank's loan officers and sales representatives. They propose loans to the firms operating in the bank's market area. Sometimes loan officers will call on the same company for months before the customer finally agree to give the bank a try by filling out a loan application.

2. **Loan Interview**

    Once a customer decides to request a loan, an interview with a loan officer usually follows right away, giving the customer the opportunity to explain he or her credit needs. That interview is particularly important because it provides an opportunity for the bank's loan officer to assess the customer's character and sincerity of purpose. If the customer appears to lack sincerity in acknowledging the need to follow to the terms of a loan, this must be recorded as a strong factor evaluating against approval of the loan request.

3. Site Visit

If a business or mortgage loan is applied for an officer of the bank usually makes a site visit to assess the customer's location and the condition of the property. Site visit helps to verify the accuracy of the information provided by the applicant. It also reveals the degree of customer's sincerity and character.

4. Reference Check

The loan officer may contact other creditors, who have previously loaned money to this customer to see what their experience has been. Did the customer fully adhere to previous loan agreements and keep satisfactory deposit balances? This payment record often reveals much about the customer's character, sincerity of purpose, and sense of responsibility in making use of bank's loan.

5. Documentation

If every thing up to this point is favorable, the customer is, then, asked to submit several crucial documents in order to fully evaluate the loan request, including complete financial statements. In case of a corporation, the applicant is also asked for board of director's resolutions authorizing the negotiation of a loan with the bank.

6. Credit Analysis

Once all documents are on file, the credit analysis division of the bank conducts a thorough financial analysis of them aimed at determining whether the customer has sufficient cash flow and backup assets to repay the loan. The credit analysis division then prepares a brief summary and recommendation. This recommendation goes to the loan committee for approval. Incase of larger loans, member of the credit analysis division gives

an oral presentation, and discussion will ensue between staff analysis and the loan committee over the strong and weak points of a loan proposal.

7. Perfecting Collateral

When the loan committee approves the customer's loan request, the loan officer or the credit committee will usually check on the property to be pledged as collateral in order to ensure that the bank immediate assesses to the collateral or can acquire title t the property involved in case the loan agreement is defaulted.

8. Monitoring

After advancing loan to the customer, it seems to be the end of lending process. But, actually it is the beginning of lending process. Can the loan officer put the signed loan agreement on the shelf.

2.1.6. Components of a good loan application   *(Singh; 2005; 62)*

To take loan from ADBL, borrowers must have following components :

a) Must be a Nepalese citizen, if the applicant is cooperative or corporation body, it must be registered in the related government office

b) Must have necessary knowledge, experience and skilled to operate enterprise.

c) Must be socially and financially characteristic nature

d) Must be arrears in repayment of principal or interest or any existing loan except for region behind their reasonable region.

e) Must be willing to meet the equity contribution for the project as required by ADBL relies and regulations.

2.1.7.Lending Documents while receiving loan *(Singh; 2005; 65)*

The following documents are needed while receiving the loan form ADBL.

a) Copies of ownership certificate of land or building, receipt of land revenue and citizenship of Nepal citizen.

b) Blue print of land or building.

c) Firm registration certificate.

d) Acceptance of owners while taking the collateral of other person

e) Credit information form other related financial institutions

f) Cost estimate of the project

g) Quotation of the machinery while procuring it for the project

h) Tow copies passport size photo of client.

i) Scheme and feasibility study report etc.

2.1.8. Loan Approval Process *(Shrestha; 2006; 248)*

Disbursement procedures work after the operation of loan approval process under lending conditions and disbursement procedures.

Loan approving authority approves only after being convinced that the loan will be recovered alone with interest in time. There may not be the same procedure for all kinds of loan. The process of accepting loan to industry or merchant differs with each other. Similarly, the approving process of loan concerning to primary sector and bigger project is also not similar. Approval of wrong loan proposal makes lending institution death knell. It entails the following sequences.

a) Application

b) Conducting the interview (loan purpose, amount of loan, repayment source, history of business, banking relationship)

c) Credit analysis (historical analysis, character, capacity conditions, collateral, capital)

d) Forecast and risk rating system

e) Return

f) Liquidation

g) Creditworthiness and debt structure

h) Preparation of credit report

2.1.9. Major Programs of ADBL   *(www.adbl.com.np)*

a) Development Financing Program

ADBL initiated development financing program to improve economic condition of the rural people by increasing productivity in agricultural practices. In the context, ADBL has been providing agricultural credit and technical support in various activities such as cereal and crop, tea and coffee production, livestock raising, irrigation, horticulture, cottage industry, energy sector and fisheries development. An attempt to study the trend of investment, collection, and outstanding loan of development financing sector for five years has been carried out.

b) Commercial Banking Program

ADBL initially opened its banking units attached with branches and sub-branch offices working in rural as well as urban areas aimed to provide banking facilities along with agricultural credit. Due to cost factor, the bank started to close down rural units gradually since 1989. The bank first

established banking offices at Ratnapark in 1984 and other more than 40 offices in urban areas

Initially, the bank aimed at collecting deposits as a source of fund to meet the increasing agricultural credit demand in rural sector. However, strengthen the resources base of bank, compensate the loss incurred by the development banking offices situated in rural areas and maintain liquidity the bank started commercial banking lending operation form 1991. It provides the loan in various activities through the different form such as overdraft, business loan, industrial loan, contract loan, hire purchasing loan and serviced loan.

In addition to acceptance of deposit, commercial banks deliver the following services as well:
a) Issue of Bank Guarantee
b) Fax Transfer services
c) Draft and Mail transfer services
d) Collection of Cheque, Draft and Bills

2.1.10. Poverty Reduction Program *(annual report of ADBL)*

a) Small Farmer Development Program (SFDP)

A great majority of the world's population still resides in rural isolation confronted by problems such as poverty, disease, illiteracy, inadequate resources and such others. About 900 million people of the Asia and the Pacific region are poor. Poverty is still rampant in South Asian region where about half billion people fall under the acute poverty line. In the context of Nepal, it is estimated that about two million household (about 38 percent of the total population) are below poverty line. Incidence of poverty is higher in

rural area as compared to the urban and semi-urban area of Nepal. Therefore, reduction of poverty is the main challenge for the development of Nepal, and hence has been the main focused program in the past as well as present national development plan of the government.

To conquer the problem, the Small Farmers Development Program (SFDP) was initiated in 1975. It was, the outcome of the FAO/UNDP joint regional project named "Asian Survey of Agrarian Reform and Rural Development" (ASARRD), which recognized the fact that special efforts were needed to support the poor and disadvantaged groups. As a pilot project in Nepal, it was first tested at Mahendranagar in Dhanusha District (Terai/plain region) in 2032 Bhadra (August 1975) and at Tupche in Nuwakot (Hill region) Districts in 2032 Falgun (February 1976). The Agricultural Development Bank of Nepal (ADBN) was entrusted with the responsibility of executing the project.

The main objective of the program is to raise the socio-economic status of the small farmers, land less labors including women by bringing them into the mainstream of the development process and by institutional development of their own grass-root level organizations.

b) Major activities of SFDP

☐ **Economic activities**

SFDP provides credit for different purposes related to production, farm mechanization, marketing, and other income/employment generating activities. Credit support has been fruitful in improving the economic status of the small farmers by increasing the productivity and production of

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agricultural related projects. Moreover, they are benefiting by engaging themselves in small-scale cottage industry with the credit support.

☐ Social and community development

Considering the fact that the process of economic development and social enhancement should be so related that they become mutually supportive and reinforcing, so apart form credit, the program incorporates essential social and community development activities such as adult education, population education, parental education, child care center, health and nutrition, establishment of drinking water schemes, community hall, school roofing, community irrigation schemes, community plantation and foot trail and gravel road construction, repair and maintenance of village road, Vegetable seed distribution and other appropriate and needy program.

☐ Community Surface Irrigation program (CSIP)

Community surface irrigation development is a highly prioritized and demanded program by the small framers. The SFDP has been emphasizing the construction of irrigation schemes at community level with active participation of small farmers form initiation to evaluation stage of the program. As of mid July 2000 the program has benefited over 25900 hectares of land of more than 29437 households through 564 schemes. The recently conducted study on "Effectiveness of CSIP" indicates that there is significant improvement in socio-economic change of the beneficiaries farmers after completion of the project. It is mainly due to positive change in cropping pattern, crop diversification, increase in land value, change in food habit and positive thinking in child education especially girl child.

Environment Conservation

Environmental promotion and conservation is another important activity is another important activity initiated by the program with the support of UNICEF. The main sense of the environmental activities in SFDP is to reduce pressure of workload on women and strain on environment. As most of small farmers are badly affected by the deforestation i.e. lack of fire wood, timber for housing and furniture, fodder for livestock, drying of drinking water sources, more time to collect fodder and other materials. Form the forest, depletion of soil fertility and other more. Activities implemented in this program are as community plantation, distribution of saplings of fruits and fodder and timber tree, leasehold fodder and forest program, plantation to protect the sources of drinking water and irrigation canals, drinking water schemes, construction of convenient latrine and smoke less stove, bio-gas plant, use of compost manure and other appropriate program to promote the environmental conservation programs.

 Gender and Development

Considering the low socio-economic status of rural women, Woman Development Program (WDP) was initiated to discern the concerns and cater to their special needs in 1982 as an integral part of SFDP. Aimed a to providing the basic services to rural poor women, WDP is being implemented in all of the SPOs in general and intensively in 36 SPOs, altogether more than 30 thousand women small farmer members are being provide with services to enable to undertake various non-farm and off-farm income generating activities. More priority to women members is given in group formation and implementation of program. At present 5 women SFDP is in implementation one in each development region, where women group

organizer is deputed. These SFDP provides services only to women group members. Overall performances of women group members are better as compared to their counterpart

☐ Livestock Insurance

One of the main portfolios of loan of small farmers is livestock. Its share in total outstanding loan is about half. Among livestock, share of milking cow and buffalo, she-calves are much more compared to the rest. Although, profit form livestock is more and is preferred by small farmers it is more risky compared to their other business. Because, in case of sudden death of cow/buffalo farmers have to face series of problems in one hand and bank has to face problem in loan repayment in other hand. Moreover, insurance program encourages farmers for raising improved breed and supports in generation of internal resources. Therefore, ADBL has provided special arrangement for the insurance of small farmer's livestock by their own committee. Support of government in terms of providing 50% subsidy in premium is highly appreciable and it motivates small farmers toward the program.

c) Impact of SFDP

Impact evaluation of SFDP conducted by national and international organization has reported several positive changes brought by SFDP with the help of economic social development activities. Increase in production and productivity of agricultural and livestock sector and increase in use of improved agricultural inputs and technology due to this program.

Rural physical infrastructures build up like community hall, road maintenance, community surface irrigation projects, community drinking water scheme and such other, access for credit for income generation such as increase in socio-economic status, increases in literacy rate especially adult literacy are also the positive impact of the program. Access to health service i.e. positive change in food habit, improvement in the health of mother and children, improved hygiene and sanitation, safe drinking waters are the positive impact. Leadership development (implementation of SFCL by the small farmers trained by the SPOs) has increase in participation of small farmers, increase in status of women and children; increased participation in live hood projects by women more convenience in doing household responsibility for women.

d) Small farmer's co-operative limited (SFCL)

SFCL refers to the small framer organization which is developed through institutional development process with a view to build up institutional management capacity to implement SFDP through that sort of organization. Under these small farmers could be made capable of planning, implementing, monitoring and evaluating the programs their own levels for the benefit of small farmer's families on one hand minimizing the operational cost to ADBL for implementing SFDP on other.

With this concept ADBL took initiative to undertake institutional development of SFDP and visualized the potentialities of experiment of such programs in the sub project offices of Dhading district selecting them as learning laboratories and thereby replicating the similar programs in SPOs of other district based on successful outcomes.

e) Institutional development program (IDP)

In order to implement the program financially viable and sustainable manner by empowering the grass-root level organization of small farmers so that they can implement the program by themselves, ADBL has initiated Institutional Development Program (IDP). It is an innovative approach developed within the SFDP Program and is based on the participatory approach.

ADBN has planned to implement this program in all SPOs and gradually hand over these SPOs to the small farmers. Bank has adopted specific package for SPOs selected for the IDP process and general package for SPOs trying to enter in the process of IDP. As of mid-July 2004, 161 SPOs have been handed over to the organization of small farmers i.e. Small Farmers Cooperative Limited (SFCL) and 75 are in the process of IDP. Various study reports reveal that performances of SFCL are quite encourage-able and are comparatively better than other such program. Significant improvement in internal resources, decrease in operational cost, operational and financial viability is some of the major achievements made by SFCL. Moreover, the local small farmers administer it and all staffs are from the family of small farmers. Therefore, they are more responsible and performance oriented.

Objectives of IDP

a) To develop organization of the small farmers at the grass-root level

b) To enhance their knowledge, skill and attitude by involving them in different training programs.

c) To develop leadership capability and managerial skill among small farmers.

d) To involve them in every activities of SPOs and thus able to continue the activities of SFCL

e) To create internal resources at local level and use it for meaningful purposes.

f) To increase share of small farmers and able to make them self-sustainable gradually.

g) To promote sustainable financial intermediary linkage between the bank and the small farmers.

h) To expand and increase coverage and volume of business in a cost and time effective manner.

Achievements

a) Obtained international CGAP award (For outstanding performance in rural poverty alleviation)

b) Organizational development

c) Increase in participation of small farmers

d) Significant increase in internal resources

e) Significant decrease in operating cost

f) Financial viability

g) Relatively increase in coverage

h) Increase in volume of business

i) Comparatively increase in participation of women

j) Increase in social status and prestige

2.1.11. Reform Program *(www.adbl.com.np)*

Significant improvement in loan collection, decrease in the rate of over due loan, control in growth of overdue loans and interest receivable, enhancement in staff productivity, get a liquidity management and

management of fund for loan provision, improvement in investment policy etc are the most achievements of the first reform program initiated in 1997.

Similarly the second reform program was initiated since 2001 introducing the concept and procedure of income recognition policy, loan loss provisioning system, transfer pricing system and financial indicator application. These all policies are focused not only to apply the scientific norms followed by the international financial institution and instruction given by NRB but also make the self sustain offices through the concept of responsibility center. The major objectives of the second refund program are to attain sufficiency in terms of financial resources, introduce potential norms and gradually introduce proficiently work culture in field offices, introduce transfer price in system at field level offices and monitor progress of all offices by applying financial integrators.

True and fair picture of the financial statement of head office and field offices gradual transformation into financially more viable institution, capable to provide reasonable rate of return to its share holder, optimizing of income, an expenses as well as enhancing quality of loan portfolio by the field offices are the expected outcome form the second reform program. Customer security fund program for the customer of the bank who takes loan has been launched on the behalf of the customer.

2.1.12. Loan *(annual report of ADBL)*

The temporary provision of money usually at interest is known as loan. It can be defined in following ways:
a) The temporary provision of money (usually at interest) is known as loan.
b) The principle or amount of total borrowed money i.e. repaid with interest.

c) Money lent to a borrower than must be repaid with interest.

d) A sum of money lent by one person or organization to another usually with interest.

e) Loan deferred form grants on that day has to be repaid with interest. This requires that the recipients is credit worthy, can provide security against default and has a cash flow sufficient to make the interest, capital payment.

The amount of principal, which is lent by the bank to the customer, is known as loan. There are various types of loan having different interest rate. Normally on the basis of time, there is three terms of loan is existing:

a) Short-term loan (Below 1 to 2 years) 8.5% to 10.8% interest rate

b) Medium-term loan (3 to 7 years) 10% to 12.5% interest rate

c) Long-term loan (8-20 years) 12% to 16% interest rate.

The temporary provision of money usually at interest is known as loan. It is the principal amount which is repaid with interest. The interest most be paid with the borrowed money. A sum of money lends by one person or organization to another usually with interest is also known as loan. Loan deferred from grant sin that day has to be repaid with interest this requires that the recipients is credit worthy, can provide security against default and has a cash flow sufficient to make the interest, capital payment. The amount of principal which is lent by the bank to the costumer is known as loan and there are various types of loan having different interest rate.

Before two years the Nepal Rastra bank given some directive to the commercial bank, in this directive there are four types of loan, they are as following:

Classification	Period of loan recovery
Good	Not crossed limit or up to 3 month only
Inferior (Sub-standard)	Crossed 3 to 6 month
Doubtful	Crossed 6 to 12 month
Bad (worse)	Crossed 12 month

2.1.13. Management of Loans *(annual report of ADBL)*

Loan management is especially focused on the management of loan disbursement and collection procedures, controlling and monitoring of lending activities. Here, planning denotes consideration of risk and return to meet profit object along with division of loan assets among consumer, commercial and mortgage. Organization refers to putting goals and objectives into action through definition and process with support functions. Controlling entails making and monitoring loans as per deadlines supported by corrective actions to be taken in granting loans if necessary:

All the activities followed by the bank for the disbursement and collecting of loan are known as loan management. The two simultaneous running aspects are

A. Loan disbursement

Banks are expected to support their local communities with an adequate supply of credit for all legitimate business to consumer financial needs and to price that credit responsibility in line with competitively determined interest rates. "In deed, making loans is the principal economic function of banks to fund consumption and investment spending by business, individuals

and units of government. How will a bank perform its lending function has a great deal to do with the economic health of its region, because banks loan support the growth of new business and jobs. Loans often seems to convey positive information to the market place about borrower's credit quality, enabling a obtain more and perhaps some what cheaper funds form other source."

In banking sector all transaction and unavoidable loan disbursement policy and its working methods or procedure is regarded very important. The policy of loan flow, loan administration, audit of loan, renewable of loan, the conditions of loan flow, documents of loan flow, the provision of security, the procession of the payment of the capital and its interest and others such procedures which plays a great role in healthy competitive activities.

B. Loan Collection

A bank or any financial institution can be described necessary amount to their borrowers and collect the entire disburse amount in time if there is a good loan management system. "Just as expediting the collection process conserves cash slowing disbursements accomplishes the same thing by the same thing keeping cash on hand for longer period. An obvious way to do this is simply to delay payment, but this involves equally obvious difficulties. Firms have, in the past, devised rather ingenious methods for 'legitimately' lengthening the collection period on their own check ranging form maintenance disbursement accounts in remote banks to using slow, awkward payment procedure. Since such practices are usually recognized for what they are, their use should be avoided.

Designation of repayment of the loan is also an art to the bankers. The appropriate selection of the repayment method according to the nature of loan is also a challenging part of lending. Loan is defined as the amount expected to be repaid with interest. In each loan, modalities for repayments is mentioned which is affected by the nature of debt. In case of long-term loan, payment is received in the form of installments (principal + Interest) as per pre-fixed schedule. So in the case of hire purchase loan while in case of overdraft, interest is paid at the given frequency (monthly/ quarterly/ bi-annually) while principal is paid at any time before expiry of the facility. In case of part payment, interest is paid first and remaining amount in utilized to reduce principal outstanding. There are loans in which interest and full debt is paid in lump sum. In some cases, interest is paid periodically and full debt at maturity.

C. Security and margin policy

ADBL has accepted the collateral within the area under the kingdom of Nepal. But collateral which is valid and acceptable to the bank is valued buy the authority but only valid by authority. Loan in sanctioned granted by deduction the margin as follows:

Security and Margin Policy

S.N.	Type of Collateral	Margin deducted%	Loan%
1.	Land	40%	60%
2.	Building/go-down/cold storage	40%	60%
3.	Machinery/equipment	50%	50%

Source : Unaudited Financial Results of ADBL

2.1.14. Lending Policy *(Corporate Planning and Marketing Department)*

The lending policy of ADBL is broadly based on two considerations, firstly, it emphasizes the development of such loans for economically productive purpose and secondly, it gives emphasis on regional specialization of production depending upon the topographical and climate condition. Hence, the lending policy of ADBL is not like that of commercial banks, which usually advance loans when they are giving adequate security, but it considers the productiveness of the loans. For this, it take the detail accounts of the program including the expected periodic benefits form the concerned party and check and reviews such accounts for its satisfaction. This has been termed as a project approach.

Consideration for regional specialization has been given by stressing investment in cereal and cash crop production in the Terai, horticultural in the hills, tea in the eastern region, and livestock development in Himalayan and Terai region. It has also given stress on a special program for small farmers and landless agricultural laborers, introducing SFDP under its direct supervision and guidance within these broad policies and outlines. Various other factors like eligibility of borrowers, loan limits, interest rates, security and margin requirements etc. are also specially stated and taken into consideration.

2.1.15. Interest Rate of ADBL

The bank has followed discriminatory interest rate policy depending upon the borrowers and the purpose of loans. Loans for co-operative are cheaper as against loans for individual borrowers. Similarly, loans for irrigating, bio-gas, horticulture, tea and coffee, land development and housing, go-down

and cold storage etc are cheaper as compared to other loans provided by the banks. And now a day, the interest rate in Karnali zone is cheaper than other parts. The pre availing interest rate charged by ADBL is shown in Appendix.

Notes:

☐ 1.5% discount on the interest allowed for those who pay monthly interest.

☐ 1% discount is allowed in the prescribed rate of interest for the green card holder farmers

☐ Medium interest rate is 2% higher then general interest rate and the highest interest rate is 4% higher than medium interest rate.

☐ The interest rate for horticulture in Karnali Zone remains 10% remains 10% from SFCL whereas for other zone, it is 12%

☐ In Karnali zone, the refinancing interest rate for Sajha co-operative is 10% where as for the other zones it is 11% and in case of other purpose (except tea/coffee, land development and housing, cold storage and godown) interest rate is 2% less than individual interest rate.

☐ General 10%, Medium 11%, highest 12% interest rate for SKBBL.

2.1.16. Procedure of lending

Individuals, co-operatives or corporate body willing to borrow the loan form ADBL and most fill up the prescribed loan application form supplied by ADBL. The applicant should submit supportive documents with the application for such as certificates of land ownership, receipt of land revenue

payment and certificate of government registration for corporate and co-operatives organization. In some cases project feasibility report is essential in case of big project. After receiving the application form of borrowers, ADBL 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 committed approves loan to those borrowers whose project seems technically feasible, economically viable, politically suitable, and socially acceptable then eventually ADBL approved notice to borrower.

2.1.17. Loan repayment period *(Corporate Planning and Marketing Department)*

ADBL has decided the proposed projects for repayment of loan according to nature and income generated by that project which is shown in the following table:

S.N.	Purpose	Maximum period of loan repayment
1.	Production loan	6 months to 18 months
2.	Livestock	1 to 5 years
3.	Horticulture, tea, coffee, nursery	2 to 5 years
4.	Irrigation and agri-material	3 to 5 years
5.	Agri. Industries (Fixed)	5 years
6.	Alternative energy	3 to 6 years
7.	Agri Marketing	Up to 1 years
Operating capital		Up to 1 years
Godwn/cold storage		Up to 10 years

2.1.18. Remission of loan

The BOD of ADBL has a right to grant remission of principal and interest of loan provided by the ADBL. The GM has the right to rant remission of capitalized interest of capitalized amount. The following loan committee has authority for providing the remission of loan amount.

S.N	Office	Remission of loan for one purpose
1.	Depot loan committee	Up to Rs. 800
2.	Sub branch loan committee	Up to Rs. 1,200
3.	Branch loan committee	Up to Rs. 2,000
4.	Main branch loan committee	Up to Rs. 3,000
5.	Supervision and controlling office	Up to Rs. 8,000
	First grade loan committee	
	Special grade loan committee	Up to Rs. 5,000
6.	H/O recovery department	Up to Rs. 8,000
	Recovery committee	
7.	Chairmanship of DGM loan committee	Up to Rs. 10,000
8.	As per authority of BOD remission given through GM	Up to Rs. 10,001

Source : Corporate Planning and Marketing Department

2.1.19. Collection procedure *(Corporate Planning and Marketing Department)*

A bank can collect easily its outstanding principal and interest in time, if it can disburse his amount properly In other words, quality lending is the bank bone of collection procedure. So, while providing loan it its customer a bank may sure to collect the disburse loan in time. The appropriate selection to the repayment method according to the nature of the loan is also a challenging part of lending. There are several methodologies and facilities extended by banks for collecting loans, however, the selection of appropriate depends on the nature of loan, period loan, and the nature of projects as well. Based on this, the banker normally has the following options available for the collection of loan.

A. Short-term loan:

Historically, banks preferred to make short-term loans to business for non-permanent additions to their working capital. In the early 50s, banks usually grants self-liquidation loans to business firms to finance the purchase of inventories or finished goods. The lengths of such loans are short period and are subject to make repayment depending upon cash availability with the firm. That loan is adjusted form the receipts of the goods sale.

On the other hand, working capital funds are also extended by banks for the operation of business firm for short-period not exceeding one year. The amount of loan is fixed form the manufacturer's estimate of the maximum amount of funds that will be needed at any point during the period. Such loans are subject to renewal or pay off the entire amount after its maturity. A revolving credit line allows a business customer to borrow up to a prescribed limit, repay all or a portion of the borrowing, and re-borrow a necessary until the lines matures.

B. Long-term Loans:

The most risky of all business loans are project loans. Project loans are extended for the construction of fixed assets designed to generate a flow of revenue in future. Financing in mines, industries, power plants are some of the examples of projects loans. Projects loans may be granted on recourse basis, in which the lender or the bank can recover its funds form the companies sponsoring the project in the event the project does not pay out the loan as planned. On the other side of non-recourse basis, the lender takes additional security to cover the loan at the end of maturity if it defaults. In the both cases, the bank can take over the project to recover the loan.

Term loans are designed to fund long and medium term business investments, such as purchase of equipments or the construction of physical facilities, covering a period longer then one year. Long-term capital funds cannot be raised at short notice. These funds have to be tied up to an acceptable proposal and planned and estimated in advance so that the funds in the required quantum are available on schedule. Usually, the borrowers applied for a lump sum loan based on the budgeted cost of its proposed project and then pledge to reply a loan in series of instalment (often payments are made quarterly or semester depending upon the convenience of both parties). Therefore, term loans look to the flow of future earnings of the business firm to amortize and retire the credit. The schedule of instalment out flow firmly in mind at the time of investment. While some term loan agreements do not call for repayment of loan principal until the end of the loan period. In a bullet loan, only interest is paid periodically, with the full principal is paid when loan matures.

Every term loan has a fixed repayment schedule which can be extended only under exception circumstances. A long-term borrower can repay his loan before maturity

but then he will be required to pay penal interest charge. Repayments are in annual or periodical instalments. The amortization schedule may prescribe equal instalments plus interest or equal instalment covering principal and interest. Interest is charged on declining balance, the payment have to be completed in any case before the expiry of the useful life of the project.

2.1.20. Pocket area group loan and total production loan *(Loan division)*

The lending policy of ADBL is broadly based on to consideration. If bank offices classify loan according to geographical structured such a s climate condition of natural resources, physical infrastructure facility, marketability etc provide agricultural credit with in his work centre's places, then it is called pocket area group loan. ADBL 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 five to twenty members. Under total production loan ADBL approves total requirement of credit to borrowers in different purposes such a rice, millet, mustard etc with in 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 for it.

2.1.21. Green Card

It the borrowers of ADBL have been taking loan form ADBL since three years ago and taking advantage form the project and also paying loan's principal and interest in time to the bank, "Green Card" is given to those farmers. The borrowers have to pay less one percent interest rate on current prime lending rate.

2.1.22.Recovery policy and procedure of ADBL   *(annual report of ADBL)*

Each and every financial institution including ADBL has its own recovery policies and procedure to collect principal and interest form farmers. ADBL grants short-term, medium-term and long-term with fixed lending period. ADBL has won recovery manual which was issued in 1992 under ADB/N loan recovery regulation 1975 and ADB/N act 1967. The loan recovery manual is considered as a main base/guide line to collect the loan invested early to farmers effectively with in its loan instalment period. The recovery policies and procedure of loan recovery manual of ADBL are:

⬜ Objectives of loan recovery manual

The main objectives of loan recovery manual are as follows:

   a) Official are mobilized for to conduct loan collection and timely monitoring by setting collection target.
   b) To make effective loan collection by conduction the recovery program on loan before the loan instalment period.
   c) To conduct loan recovery collection program regularly.
   d) To determine the floor project as per pre determine payment program to amend the date of loan recovery. If there is no pliability of recovering such loan, then to determine it and make required provision.
   e) To make provision of keeping borrowers file up to fate by the help of information system

   f) To give advice, suggestion and direction to borrowers for successful projects by continuous monitoring and supervision (ADB/N; 1992: 3)

⬜ Authority of bank, if breaking the agreement ADBL has authority of breaking agreement under the ADB/N act 1967 of article 20.

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

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

c) If ADBL is unable to collect the loan amount form 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 the selling, auction or any other expenses to the borrowers form the selling or auction of collateral. If the amount is received higher than the loan amount and other charges bank should be returned those amounts to the borrowers, which is more form 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 form 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

ADBL charged interest in different purpose which is shown in previous page. Extra provisions on interest rate, penalty and rebate are given below:

a) ADBL charges 1% service charge, if the loan amount and outstanding is more than Rs. 50,000

b) ADBL has different interest rates. Generally, a co-operatives organization has to pay less interest rather than the individual borrower.

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

d) Some time ADBL introduces notice of rebate especially file closing time 75% to 85% rebate is given on non performing loan's interest to farmers.

☐ Provision for memorandum letter

Three types of memorandum letters will be issued by ADBL to loan collection.

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

b) Second memorandum latter: The second memorandum letter will be sent to borrowers after one month; if the borrowers didn't pay principal and interest with in the loan instalment period after sending first memorandum letter.

c) Pre notice to published borrowers name in magazine: If the borrower didn't pay loan after sending second memorandum latter ADBL sent notices to borrowers after 60 days. These memorandum letters will be sending through post office and officials of ADBL who goes on field visits for loan collection. After sending memorandum letters 55 days, notice should be published in news paper.

☐ Punishment stage of recovery

There are two stages of punishment that is one is general stage and another is critical stage. General punishment is a primary stage of recovering loan. First, second and third memorandum letters are to be sent in this stage. This stage is pre symbol of publishing borrower's name in magazines. When the borrowers are

failed to reply loan amount, critical and legal punishment stage arises. ADBL publishes the name of borrower in the public news paper to pay their loan amount with in 35 days; other wise collateral will be sold by auction to collect the loan amount through legal process.

□ Provision of sick period

Under the following conditions projects are consider as sick projects:

a) Partial or absolute loss form natural calamities such as earth quake, flood, land slide, fire etc.

b) After project entrepreneur's death, if other people and family members are not operate project

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

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

□ Correction of payment project

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

a) Due to systematic cause that is beard by the borrower and project will not started in time.

b) If the project is failed or going on loss by the causes of natural calamities such as heavy rain, earth quake, robbery and 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 success fully or it will be difficult to operate.

☐ Pre-notice for publication of borrower's name in magazines

If the borrower fails to repay their loan to ADBL, ADB sends memorandum letter and does timely supervision of 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.

☐ Provision for 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 decentralism the auction power for different level of officials, which re given below:

a) If the loan's principal and interest of to Rs. 500000, district level auction committee has decision power.

b) If the loan's principal and interest of to Rs. 500001 to Rs. 700000, supervision and controlling office has decision power.

c) Loan's principal and interest up to Rs. 700001 to Rs. 1500000, decision power goes to DGM level committee.

d) If the loan's principal and interest is more than Rs. 1,500,001, decision prowler goes to GM level committee or the BOD of the bank

e) The bank has authority for publishing of this decision 7 days after passing the information about the borrower's.

☐ Doubtful loan

ADBL announces the doubtful loan if the amount will not be possible to recover, doubtful loan is considered under the following conditions.

a) If the collateral is value less through the causes of natural calamities, other accident and not possible to collect loan form borrower's other property.

b) To recover loan amount is not possible after selling or auction of collateral and there is no other properties of the borrower's in the kingdom of Nepal.

c) If the borrower's didn't found by the bank and collateral may not be determined.

d) If the loan amount may not be possible to recover when lending is made form the security and insurance of loan amount.

e) In case of loan provide under the security of the project, if the project is failure.

f) If borrower's succeed to take loan form the bank by submitting duplicate document that is cheating and bank fails to find out the borrower or may not get success to recover the loan by the legal process.

2.1.23. Procedure of recovery

The bank most collects its principal and interest amount form the borrowers for the smooth operation and further investment. The ADBL has developed certain policy and procedures for the recovery program, which has already been mentioned above in this cheaper.

The bank provided the loan under the supervision of the collateral of the project and loan committee decision. Bank monitors its lending project time to time bye the supervisor or its employs. Bank issues memorandum letter time to time before and after the loan instalment period. Official visit for the loan recover, when the products are harvesting and sold.

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If the borrowers fail to repay the loan amount, bank should take legal provision to sell, auction of the collateral to recover loan amount. Bank may increase loan instalment period when the reasonable cases like earth quake, heavy rain or flood, diseases of natural calamities or political crisis or increase in cost of the project operation. Bank provides remission of principal and interest amount, increase in loan instalment period, and increase in loan amount for the improvement of the project.

If the bank is unable to recover its loan amount, it makes the black list of the borrower and decides the bad debt, other wise it will be recovered its loan amount by the legal process or any process like selling or auction of collateral and other prosperities form the borrowers.

Asian Development Bank has determined the disbursement procedure as procedure of withdrawal of loan proceeds is standardized to facilitate disbursement under most loans. Disbursement procedure consists of four major types such as direct payment procedure, commitment procedure, reimbursement procedure and impressed fund procedure.

While normally ADB requires submitting of full supporting documentation, there are special cases where its accepts simplified documentation when the statement of expenditures involves the borrow submitting periodic certification of the progress or complication of civil works in support of its application for reimbursement and the simultaneous application for sub loan approval and with drawn procedures involves qualified DFIs submitting simplified supporting documents when they request reimbursement of expenditure and ADB's confirmation of sub loans below the set "Free Limit".

2.2. Review of Journals and Articles

Bhagat Bista's (2058 B.S), in his published article, *"Taking Care on Loan Disbursement and Collection of the bank"* has expressed that it is especially concerned on some issue that needs to be taken care of while carrying out these reform programs. These issues broadly classified into external or structural and internal or operational like shifting and replication of all bank head offices form the present regional political centre to other viable and business centre will automatically help to reduce overstaffing and posting problem in all bank head offices and help them to achieve sound working condition. It is very helpful for loan disbursement and collection department of the bank.

Due to this loan disbursement and collection department staff can get direct connect with the real client of the banks in the market which help them to achieve sound working condition in the management of loan.

Findings and his recommendation:
It is found that by giving more emphasis on member's mobilization, it will help to reduce the problem of resource constraints. Adoption of flexible interest rates to the branches by the head office for found supplied will help to move forwards operational viability.

By collecting loan with interest in the time and by moving towards greater efficiency on collecting loan with interest in time with professional management these ADBL branches will become operationally & financially viable in the days to come. Due to this, loan management's objective of ensuring, effectiveness & efficiency of bank's operations will be run effectively.

Gaps between articles & present environment

Before being "limited", suggestion and recommendations were not being implemented properly and effectively. It is yet to be seen that what next positive steps will be forwarded after Agriculture Development Bank being "limited".

Yogeshowor Panta's (2058 B.S.), in his published article, *"Income Recognition and Loan Loss Provisioning"* has expressed that 'Restructuring Polly-2054' increasing the quality of loan assets, recovery of monthly interest, recovers of interest and principal. Due to successful implementation of this policy, Bank improves certain financial indicators and achieves.

Findings and his recommendation:

It is fount that in the article "loan accounting & Provisioning practices are an essential part of sound management & control of credits risks in banks. Weak or inadequate loan loss provisioning practice and poor transportation are major sources of risk to individual banks.

Gaps between articles & present environment

In the preset scenario the loan department committee issues consultation paper on loan valuation, loan loss provisioning and credit risk disclosure. It is seen that the bank is going to fix prudential norms by taking transparency and accountability at the centre aspect.

Kunwar Krishna Bdr's (2003), in his published article, *"Role of Internal Control in Second Phase Reform Program"* has expressed that all level of personnel at a banking organization need to understand their role in the internal control process and be fully engaged in the process, especially loan

auditors are very important to check and balance of banking property form the borrowers.

Findings and his recommendation:

It is found that, it highlights complexity of procedures ion debt collection, by giving an example of lengthy land registration process. It finds lack of the effective operation in management by internal auditors. It suggests new and revised definition of internal auditing, internal auditing is an independent, objectives assurance and consulting activity designed to add value and improve an organization's operation. It helps an organization accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve effectiveness of risk management, control and governance process. By new definition of internal auditing, it gives more accurate reports on loan disbursement, collection and outstanding, which gives clear vision of management to direct the loan policy.

Gaps between articles & present environment

The author's view and today's bank environment is totally mismatched managers are unwilling to co-operate and try to evade internal auditors. They do not pay adequate attention to procedures and precedents and are mostly engaged in fire fighting operation. They resist internal auditors because they fear that their errors and faults will be discovered even in a "loan giving and collection activities also". Due to constraints arise to internal auditors they can not highlight the right information's of loan conditions and keep the bank at darkness.

Gorkhali H.G.'s (2004), in his published article, *"Policies and Strategies of ACTI Contribution to Financial Viability and Sustainability of ADB/N."* has expressed that agricultural credit training institute (ACIT) is one of the

separate wings of the agricultural development bank which was established in 1977. Whose main objective is to promoting agricultural credit activities through proper human resources development within the institution. The basic trust of ACTI has undertaken imparting the training for the ADBL staff, framers and officials of line agencies. Generally trainings are focused to quality enhancement in the sector of rural agricultural credit & commercial banking and poverty alleviation through improving the knowledge and skills of concerned personnel.

Findings and his recommendation:

From the article, it is found that the ACIT helps to design the specific courses on project preparation and appraisal training to the loan staff for quality lending, organized workshop and intersection program on loan recovery and management. It designs a special skill development training course on specific technical subject matter. Due to all these activities, loan management of the bank will be efficient, effective, realistic and more believable.

Gaps between articles & present environment

However, the program contributes for the quality enhancement of ADBL staff to improve the performance of the institution. Still ADBL suffering form some sort of weakness like, inadequate manpower development practices under ACTI for short and long-term perspective, limited use of visual aids for training program, inadequate exposure of library.

R.K. Pokharel's (2004), in his published article, *"Financial System Instability and its causes with Special Focus on the South East Asian Agricultural Development Bank Crises".* has expressed that the economic turbulence in most of the Agricultural Development Banks of South East

Asian Region after the mid of nineties or so reminds us of the importance that financial system of ADB plays in the wider economy. It also reminds us of the ever-present potential for financial systems to become unstable and for this instability to contribute to a more general dislocation of economic activity.

Findings form the article:

It is found that the high real interest rate resulting form the application of tight monetary policy may also provide an element for financial instability. High real interest rates can increase the risk of loan losses by increasing the debt servicing cost of borrowers and by dampening the economic activities. In the absence of suitability cautions lending practices by banks, financial institutions, adverse selection can result in banks lending a greater proportion of their loan bank to higher risk borrowers than would have been the case in a lower interest rate environment, In a situation where disinflation is accompanied by falling asset prices and weakening domestic demand conditions high real interest rates can significantly increase a banks loan loses, ultimately threatening to its capital base.

Gaps between articles & present environment.

Elements to this scenario were present in ADBL in the late 1980s and early 1990s. Now a days ADBL is embarking on a disinflation path in an environment of declining asset prices, a weakening domestic economy and high rate interest rates.

2.3. Review of Thesis

Maha Prasad Mainaly (1999) has conducted his master's thesis entitled *"An Evaluation of Loan Distribution and Collection of ADB"* His research objectives are as follow:

i.   To study the target of loan disbursement and collection.

ii.   To examine the achievement of purpose wise, term wise and development region wise loan disbursement, outstanding and collection.

iii.   To analyze the relationship between targeted and achievement of loan recovery.

iv.   To provide suggestions to ADB/N on the basis of findings.

The adopted research methodologies under his research are as follows;

-      This study is merely concerned with the primary n secondary data and is based on Published and presented data for the loan disbursement and collection ADB/N.

-      Descriptive analysis and statistical tools analysis are research designed used by him. He defines descriptive analysis as, "It is difficult to study the principle causes arising from borrower's side and quantify them in relation to the weak repayment performance of AB/N's loan disbursement. So that some of the cause are studied in help of descriptive analysis.

He states statistical analysis as, "This study is to see the trend situation of loan disbursement and collection" and he further adds, "In order to see the trend of loan disbursement and collection. The Karl Pearson's coefficient of correlation is used to analyze the relationship between loan disbursement and collection.

His Major Findings are :

i)   Though targeted loan disbursement and collection are increasing, targeted loan collection of the bank is increasing at decline rate.

ii)   According to correlation coefficient, it is found that there is significant relation ship between the achievement of loan disbursement and

collection i.e. r = 0.98 (where, P.E = 0.012). This explains that increase in loan disbursement increases the collection.

iii)   Both actual loan outstanding and loan collection have increasing trend however collection of loan is found fluctuated over the period. This collection is significant between them i.e. r = 0.099 (where, P.E. = 0.006).

iv)   Findings from purpose wise actual loan disbursement, outstanding and collection are increasing and their correlation are significant in case of cereal and cash crop purpose, livestock purpose where as fluctuating in case of Go-down and cold storage purpose, farm machine and irrigation purpose, horticulture and agro-forestry product purpose, Biogas purpose and etc.

v)   Analysis t-test says there is no significant difference between the mean ratios of targeted loan disbursement and actual disbursement. Likewise, there is no significant difference between the mean ratios of targeted loan collection and actual loan collection.

Rurukusum Gautam (2000) has conducted his master's thesis entitled *"Investment Analysis of Finance Company of Nepal"*. Her research objectives are :

i)   An analysis of the loan and advances of Finance companies.

ii)   An analysis of the interest rate structure loan.

iii)   An analysis of the repayment of the loans.

The main objective of this thesis is to analyze the investment portfolio of the finance company and their mobilization in the context of Nepal.

Her findings contextual to right research are as follows :

- The major source of fund of finance companies goes loan and advances with the range of 53%, 65.69% and 74% as minimum, average and maximum.

- There are 38 companies having investment of hire-purchase loan. The use of fund towards the hire-purchase loan is decreasing rapidly.

- Except one company all other companies have investment on term loan and use of fund towards the term loan is gradually increasing.

- There are only 3 companies having investment on lease loan.

- The interest rate structure of loan and advances of almost all companies are same and vary from 17% to 20% with around 20% as an average. Recent interest rate range is 18% - 20%.

- As the direct data of good and bad loan was not available, the loan loss provision used to analyze the loan quality. Loan loss is increasing every year significantly and should be controlled.

G. Pradhan (2002) has conducted his master's thesis entitled *"Loan Disbursement and Collection Pattern of ADB/N":* His main objectives are :

i) To examine the loan disbursement, collection and outstanding loan.

ii) To evaluate the trend of loan disbursement and collection.

iii)To show the achievement of loan disbursement, outstanding and collection of ADBL.

Gem found in his study "loan disbursement and collection pattern of ADB/N" bank's staffs were not careful in loan disbursement and not serious in collecting the loan which have matured. Even, form this bank; depositors have not received attractive interest rates while the borrowers and the investors have suffered form larger cost of funds. While it is reported that

small depositors and entrepreneurs are discouraged form opening their account and crying out transaction in the joint venture banks.

His findings are :

i)   He found that bank giving 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.

iii)   The unequal disbursement of loan for different types of purposes might be seen among the development region. The high portion of collection comes form central development region but the annual percentage share in collection form this region has a decreasing tendency.

Shrestha M.K. (2004) has conducted his master's thesis entilted *"Loan Management of ADBN" :* His main objectives of the study are :

i)   To examine the loan investment and collection procedure.

ii)   To evaluate the trend of loan investment and collection.

iii)   To show the achievement of loan investment and collection of ADBL.

A study conducted by Maheshor Kumar Shrestha on the above topic has been reviewed. The main focus of the study is the loan disbursement and collection procedure of ADBN. He has concentrated his study on the service provided by ADBN on rural areas. The main objective of the study is to examine the loan investment and collection procedure, evaluate the trend of loan investment and collection and to show the achievement of loan disbursement, outstanding and collection of ADBN. He has used correlation

coefficient, P/E ratio, regression and t-test a statistical tool and analysis of balance sheet and profit and loss account as statistical tool.

His findings are :

i)   He finds that, the total loan investment, collection and outstanding of development financing increased registering an annual growth of 12.9%, 12.8% & 16.67% respectively.

ii)   He is worried about the lending procedure, regular monitoring and supervision of invested project and low recovery ratio of outstanding of loan.

Dilip Roy found in his study (2003) has conducted his master's thesis entilted *"An Investment Analysis of Rastriya Banijya Bank in Comparison with NBL"* .The basic objective of this study is

i)   To evaluate investments of Rastriya Banijya Bank and compare it with investments of NBL and industrial average.

ii)   To evaluate liquidity, activity and profitability ratios of RBB in comparison with NBL and industry average.

iii)   To examine the loan loss provision of RBB and NBL.

In his study he concludes that:

i)   RBB has good deposit collection, enough loan and advance and small investment in government securities.

ii)   RBB has comparatively better position regarding issue of loan and advance but it does not have good position regarding investment in securities of other company, off-balance sheet operation. Loan loss ratio states low quality of loan and advance.

iii)   RBB needs to take initiative steps immediately in managing its assets for its existence in this competitive market.

He has recommended that:

i)   RBB should enhance its investment in securities.

ii)   RBB should seek true entrepreneurs and sectors to invest its limited

funds of valuable depositors.

iii)   RBB should enhance its off- balance sheet operation, remittance and other fee- based activities to increase its earnings.

iv)   RBB should seek true entrepreneurs and sectors to invest its limited funds of valuable depositors.

Research Gap

Very few researches have been made so far in the title "loan management of ADBL". All previous thesis are fully concerned with loan disbursement, collection and outstanding. But in this thesis some loan security aspects are also included to clarify the management of lending aspect. Recent seven years data (FY 2057/58-2063/64) has been used to get more accurate conclusion whereas almost five years data had been used in previous studies. Primary data obtained from face to face interaction with the farmers who are taking loan from agriculture bank are also included in this study.

This study has used all possible financial and statistical tools to cover the objectives of this study. I have used Karl person's correlation coefficient to check the relationship between the sampled variables, coefficient of determination to know about the dependency of dependent variable on independent variable and hypothesis test (T-test) to prove significant or insignificant relationship between correlated variables. Hence, this study is significantly different form previous study. Effort on this particular subject will be found properly genuine and it will be recognized valuable study in this particular subject.

CHAPTER III
RESEARCH METHODOLOGY

3.1   Introduction

Research Methodology is a dynamic and systematic way to solve the research problems. It describes the procedure and method applied in the entire aspects of the study. It refers to the various sequential steps (along with a rational of each step) to be adopted by a researcher in studying a problem with certain goals in view. Thus the overall approach to the research is presented in this chapter. This chapter contains the research design, sample size, sample selection procedure, data collection procedure, data processing tool and techniques, variables etc.

Research methodology possess to the various sequential steps to be adopted by researcher in studying a problem with certain objectives of view. It describes the methods and process applied in the entire subject of the study. It is the way to systematically about the research problem. (Kothari; 2001: 39)

Research methodology is the plan, structure and strategy of investigations conceived to answer the research question or test the research hypothesis. (Wolf and Pant; 2002; 51)

Human beings cannot remain satisfied with the same things for a long time. They are always curious to learn more and do something new and special by raising questions like why, how, when, where, what etc. To answers these questions, they should gather information and analyze them to achieve their goals or satisfaction. The research for gaining the knowledge about method

of goal achievement, which we desire, is known as research methodology. (Joshi; 2001: 12-13)

3.2   Research Design

A research design is the conceptual structure within which research is conducted. It is an integrated system that guides the researcher in formulating, implementing and controlling the study.

A research design is the arrangement of conditions of collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It is the plan and formulation of investigation idea and strategy so as to obtain answers to research questions and to control variance.

Kerlinger (1986) describes that "Research Design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control variance. The plan is the overall scheme or program of the research. It includes an outline of what the investigator will do from writing the hypotheses and their operational implications to the final analysis of data. The structure of the research is more specific. It is the outline, the scheme, and the paradigm of the operation of the variables. When we draw diagrams that outline the variables and their relation and juxtaposition, we build structural schemes for accomplishing operational research purposes. Strategy, as used here, is also more specific that plan. In other words, strategy implies how the research objectives will be reached and how the problems encountered in the research will be tackled."

This study is based upon historical financial activities of Agriculture Development Bank Ltd. Various statistical and financial tools have been utilized for analyzing the different variable related to the loan management.

Since, the study is obviously based on certain research design. This study emphasizes on descriptive and analytical study of collected data over a period of time and it gives suggestion on the improvement. So this study is based on descriptive and analytical research designs.

3.3   Population and sample size

Loan disbursement & collection data of ADBL are the population of the study out of these seven years. i.e FY 057/58 to 063/64 period is taken as only sample for this research purpose.

Sample random sampling techniques is used to take interview by looking random no. of tables out of these 20 farmers are taken as sample for primary data.

3.4   Nature and source of Data :

Only secondary data have been used in this research report.

Secondary data have been taken form the published journal, financial statement and research paper of ADBL. These include the annual report, credit journal, budget book. ADBL at a glance published by ADBL. Other sources of secondary data relating to this study are collected from the publication of Ministry of Finance, publications of national planning commission, central bureau of statistics. Auditor general reports,

newspapers, previous unpublished dissertations, websites, research reports related to ADBL another related publications.

3.5 Data collection procedure

Secondary data are collected from annual report of ADBL for FY 059/60 to 063/64, Journals, MIS division of ADBL, Loan Division of ADBL etc. through regular field visit in ADBL. Some valuable information is also collected from personal interaction with managerial level employee of ADBL.

3.6 Statistical Procedure of Analyzing Data :

Statistical analysis procedure is used in this research to see current trend of loan investment and collection. To process raw data and analyze the relationship, Karl Persons' coefficient of correlation percentage, T-test are used to find out ADBL's loan investment and collection such as purpose wise, term wise, and development region wise is different or not, whether it is increasing or decreasing trend and to see what type of relationship exist among these various and to draw inferences and recommendations. Secondary data is solely studied by the help of statistical method/tools.

3.6.1 Statistical Tools

A. Karl Pearson's Coefficient of correlation

Where,

r = Coefficient of correlation lies between +1 & -1

X is independent variable

Y is dependent variable

Following Table is considered to describe relationship between variable

If r is

-1	-0.7	-0.3	0	0.3	0.7	1
Perfect Negative	Strong Negative	Weak Negative	Perfect Independence	Weak Positive	Strong Positive	Perfect Positive

B. Coefficient of Determination r

Coefficient of determination i.e. indicates total variation in dependent variable (Y) is explained by independent variable (X).

C. Hypothesis Testing

T-test

T-test is used for the test of significance of each correlation coefficient.

Hypothesis Test 1

Null Hypothesis (H0) :

There is no significant difference between the mean ratio of actual loan disbursement and actual loan investment.

Alternative Hypothesis (H1) :

There is significant difference between the mean ratios of actual loan disbursement and actual loan investment.

Hypothesis Test 2

Null Hypothesis (H0) :

There is no significant difference between the mean ratio of actual loan outstanding and actual loan collection.

Alternative Hypothesis (H1) :

There is significant difference between the mean ratio of actual loan outstanding and actual loan collection.

Test statistic

Where

t = Value of T-test

r = Correlation coefficient

N = Number of observation

S = Sample variance from sample size

3.6.2 Financial Tools

The research is conducted within the periphery of this research methodology which is the crucial part of this research to find out finding if the study. Financial tool is use to analyze the financial position of the bank. Financial statements such as balance sheet and income statements can be analyzed to assess the financial health and contribution of interest of the loan investment by the bank.

A. Balance Sheet

Balance sheet is a classified summary of all assets and debit balance as well as all liabilities and credit balance after balance pertaining to profit and loss account have been collected together in a separate account. It is a financial statement used to summarize the financial position of a company on a given date. A glance at the balance sheet shows the financial health of the company. Therefore, investors, lenders, banker and creditors like to see the balance sheet of company before making any financial deal so that they can know the financial worthiness of the company.

B. Profit and loss Account

Profit and loss account is the second part of trading and profit and loss account. After preparing trading account and ascertainment of gross profit or loss, company prepare profit and loss account. It is an account which is designed to highlight the net profit earned or net loss incurred by the company from its business transactions during an accounting period.

CHAPTER IV
PRESENTATION AND ANALYSIS OF DATA

4.1   Introduction

Data presentation is the organization and classification of the data of loan investment and collection for analysis. Organization and processing of data include editing, coding, classified and tabulation of raw data. Tabulation is the process of transferring classified data from data gathering tools to the tabular form in which they may be systematically examined. Data is presented in table and charts/diagrams to make some sense to the researcher as well as to the readers of this thesis.

The analysis of data consists of organizing, tabulating, performing statistical analysis and drawing inferences about ADBL. Data is analyzed by using proper statistical tools such as correlation coefficient, regression analysis and t-test and financial tools as balance sheet and income statement to fulfill the objectives of this research. To test the significant and insignificant if correlation coefficient t-test is used. On the basis of several data regarding ADBL's loan disbursement and collection, it focuses to present an over all

disbursement/collection situation of the loan granted by ADBL to different purposes on an agricultural development in Nepal.

In this study it is also tried to study some possible causes of none and delayed repayment of loan by the help of primary data, whether the total actual loan disbursement outstanding and collection is in increasing or decreasing trend whether ADBL's loan disbursement outstanding and collection of loan for different purpose differs or not. For this purpose presentation and analysis proceeds along the answer to the research questions, which are thus different mentioned in this chapter for this purpose the study covers the period of five years form 2059/60 to 2063/64.

4.2   Analysis of Secondary Data

4.2.1 Purpose wise loan disbursement, outstanding and collection :

ADBL has invested development credit in different purposes to uplift the farmer's standard, poor agriculture industry, trade and service business such as cereal and cash crops, marketing, agri-tools, irrigation, livestock, agri-cott, industry, bio-gas, land development, horticulture, go down & cold storage, tea/coffee, housing non-agri. Loan, and tourism.

Actual loan disbursement, outstanding and collection on cereal and cash crops purpose

Rs. In "000"

F/Y	Loan disbursement			Loan outstanding			Loan collection			% of collection	
	Amount	Index	Growth %	Amount	Index	Growth %	Amount	Index	Growth %	To Disbursement	To Outstanding
2057/58	1780774	100		2841358	100		1471455	100		82.63	51.79
2058/59	1913255	107.44	7.44	3159894	121.21	11.21	1594719	108.38	8.38	83.35	50.47
2059/60	1891892	106.32	-1.12	3424856	129.6	8.39	1626930	110.4	2.02	86	47.5
2060/61	2121509	118.46	12.14	3726689	138.41	8.81	1819676	122.25	11.85	85.77	48.82
2061/62	1845621	105.46	-13	3823565	141.01	2.6	1748745	118.35	-3.9	94.75	45.73
2062/63	1938177	110.47	5.01	3913996	143.38	2.37	1847746	124.01	5.66	95.37	47.66
2063/64	1799488	103.31	-7.16	3902936	143.1	-0.28	18105848	122	-2.01	100.61	46.39

In the above table, loan disbursement is in fluctuating trend. The lowest actual loan disbursement amount on cereal and cash crops is Rs. 1,780,774 thousand in FY 057/58 and highest loan disbursement amount o0n cereal and cash crops is Rs. 2,121,509 thousand in FY 060/61 and lowest growth rate is -13% in FY 061/62 and the highest growth rate is 12.14% in FY 060/61.

Loan outstanding amount is in gradually increasing trend till to FY 061/62. The lowest outstanding amount on cereal and cash crops is Rs. 2,841,358 thousand in FY 057/58 and the highest amount is Rs. 3,913,996 thousand in FY 062/63. The lowest growth rate is -0.28% in FY 063/64 and highest growth rate is 11.21% in FY 058/59.

Actual loan collection amount is also fluctuating trend the lowest collection amount on cash and crops purpose is Rs. 1,471,455 thousand in FY 057/58 and highest amount is 1,847,746 in FY 062/63. The lowest growth rate on actual loan collection is -2.90% in FY 061/62 and highest growth rate is 11.85% in FY 060/61.

The percentage of loan collection to disbursement on cereal and crops purpose are 82.63%, 83.35%, 86%, 85.77%,94.75%, 95.37%, 100.61% form FY 057/58 to FY 63/64 respectively. The lowest percentage of collection to disbursement is 82.63% in FY 057/58 and highest percentage is 100.61% in 063/64.

Similarly, the percentage of loan collection to outstanding is 51.79%, 50.47%, 47.50%, 48.82%, 45.73%, 47.66%, 46.39% in form FY 057/58 to FY 63/64 respectively. The highest loan collection to outstanding is 51.79% in FY 057/58 and lowest percentage is 45.73 in FY 061/62.

The coefficient of correlation value calculated between loan disbursement and collection is +0.47 (See Appendix 1), which is positively correlated. Coefficient of determination i.e. r is 0.22 indicates that 22% of total variation in loan collection on cereal and cash crops purpose (Y) is explained by the loan disbursement for cereal and cash crop (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 degree of freedom is 2.571, which is greater than the calculated value of t = 1.21. Therefore the coefficient if correlation shows there is insignificant relationship between loan disbursement and collection.

Likewise, the coefficient of correlation value calculated between loan outstanding and collection is 0.97 (See Appendix 2) which is highly positively correlated and coefficient of determination i.e. r is 0.94 indicates that 94% of the total variation in loan collection for cereal and cash crop (Y) is explained by the loan outstanding for cereal and cash crop (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 degree of freedom is 2.571, which is lesser than the calculated value of t =

8.82. Therefore the coefficient of correlation is significant or shows significant relationship between loan outstanding and collection on cereal and cash crops.

Table No. 4.2
Actual loan disbursement, outstanding and collection on Marketing purpose

Rs. In "000"

F/Y	Loan disbursement			Loan outstanding			Loan collection			% of collection	
	Amount	Index	Growth %	Amount	Index	Growth %	Amount	Index	Growth %	To Disbursement	To Outstanding
2057/58	1458848	100		1689970	100		1005990	100		68.96	59.53
2058/59	1887241	129.37	29.37	2227317	131.8	31.8	1349894	108.38	134.19	71.52	60.61
2059/60	2464065	159.93	30.56	2862119	160.3	28.5	1829263	110.4	169.7	74.24	63.91
2060/61	2889373	177.19	17.26	3533371	183.75	23.45	2218121	122.25	190.96	76.77	62.78
2061/62	3139002	185.83	8.64	3991532	196.72	12.97	2680841	118.35	211.82	85.4	67.16
2062/63	4260547	221.56	35.73	4779619	216.46	19.74	3472460	124.01	241.35	81.5	72.65
2063/64	4970247	237.89	16.66	5451825	230.52	14.06	4298041	122	265.13	86.48	78.84

In the above table, loan disbursement is steadily increased every year. The lowest actual loan disbursement amount on marketing is Rs. 1458848 thousand in FY 057/58 and the highest loan disbursement amount on marketing is Rs. 4970247 in FY 063/64. Where the lowest growth rate on loan disbursement is 8064% in FY 061/62 and highest growth rate is 35.73% in FY 062/63.

Similarly, loan outstanding amount is also in increasing trend each year. The highest and lowest loans outstanding are Rs. 5451825 and Rs. 1689970 in thousand in FY 063/64 and FY 057/58 respectively. Whereas, the highest growth rate on actual loan outstanding on marketing is 31.80% in FY 058/59 and lowest growth rate is 12.97% in FY 061/62.

Actual loan collection amount is also in increasing trend. The highest and lowest loan collection are Rs. 4298041 and Rs. 1005990 in thousand in FY 063/64 and FY 057/58 respectively. Whereas, the highest growth rate on actual loan collection on marketing is 35.51% in FY 059/60 and lowest growth rate is 20.86% in FY 061/62.

The percentage of loan collection to disbursement on marketing purpose are 68.96%, 71.52%, 74.24%, 76.77%, 85.40%, 81.50%, 86.48% form FY 057/58 to 063/64 respectively. The lowest percentage of collection to disbursement is 68.96% in FY 057/58 and the highest is 86.48% in FY 063/64.

Similarly, the percentage of loan collection to loan outstanding is 59.53%, 60.61%, 63.91%, 62.78%, 67.16%, 72.65%, 78.84% form FY 057/58 to 063/64 respectively. The lowest percentage of collection to outstanding is 59.53% in FY 057/58 and the highest is 78.84% in FY 063/64.

The coefficient of correlation value calculated between loan disbursement and collection is +0.997 (See Appendix 3), which is highly positively correlated. Coefficient of determination i.e. r is 0.9801 indicates that 98.01% of the total variation in loan collection on marketing purpose (Y) is explained by the loan disbursement on marketing purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 degree of freedom is 2.571, which is lesser than the calculated value of t = 28.49. Therefore the coefficient of correlation shows significant relationship between loan disbursement and collection.

Similarly, the coefficient of correlation value calculated between loan outstanding and collection is +1 (See Appendix 4), which is perfectly

positively correlated. Coefficient of determination i.e. r is also 1, indicates that 100% of the total variation in loan collection on marketing purpose (Y) is explained by the loan outstanding on marketing purpose (X). This perfect correlation between loan outstanding and loan collection shows significant relationship between these two variables. Hence, there is no need to use hypothesis test to determine the relationship between these two variables.

Table No. 4.3

Actual loan disbursement, outstanding and collection on Agri-Tools and Irrigation purpose

Rs. In "000"

F/Y	Loan disbursement			Loan outstanding			Loan collection			% of collection	
	Amount	Index	Growth %	Amount	Index	Growth %	Amount	Index	Growth %	To Disbursement	To Outstanding
2057/58	1040446	100		2307786	100		703071	100		67.57	30.47
2058/59	1083997	104.19	4.19	2655783	115.08	15.08	736000	104.68	4.68	67.9	27.71
2059/60	958708	92.63	-11.56	2812471	120.98	5.9	802020	113.65	8.97	83.66	28.52
2060/61	806600	76.77	-15.87	2772365	119.55	-1.43	846706	119.22	5.57	104.97	30.54
2061/62	594741	50.5	-26.27	2680896	116.25	-3.3	686210	100.26	-18.96	115.38	25.6
2062/63	537492	40.87	-9.63	2550883	111.4	-4.85	667505	97.53	-2.73	124.19	26.18
2063/64	395758	14.5	-26.37	2361492	103.98	-7.42	585149	85.19	-12.34	147.86	24.78

Chart 4.3

Bar diagram of actual loan disbursement, outstanding and collection on Agri-Tools and Irrigation purpose

The above table, loan disbursement is decreased except FY 058/59 every year since FY 057/58. The lowest actual loan disbursement amount on agri-tool and irrigation is Rs. 395758 thousand in FY 063/64 and highest is Rs.

1083997 thousand in FY 058/59. The lowest growth rate on loan disbursement is -26.27% in FY 061/62 and highest is 4.19% in FY 058/59.

Similarly, the loan outstanding amount is in fluctuating trend. The lowest outstanding amount on agri-tools and irrigation is Rs. 2307786 thousand in FY 057/58 and highest is Rs. 2812471 thousand in FY 059/60. The lowest growth rate on loan outstanding on agri-tools and irrigation is -7.42% in FY 063/64 and highest is 15.08% in FY 058/59.

Likewise, the actual loan collection amount is also in fluctuating trend. The lowest collection amount for loan collection on agri-tools and irrigation is Rs. 585149 thousand in FY 063/64 and the highest is Rs. 846706 thousand in FY 060/61. The lowest growth rate on loan collection on agri-tools and irrigation is -18.96% in FY 061/62 and highest is 8.97% in FY 059/60.

The percentage of loan collection to loan disbursement on agri-tools and irrigation purpose are 67.57%, 67.90%, 83.66%, 104.97%, 115.38%, 124.30% & 147.86% for FY 057/58 to 063/64 respectively. The lowest percentage of collection to disbursement is 67.57% in FY 057/58 and the highest is 147.86% in FY 063/64.

Similarly, the percentage of loan collection to outstanding on agri-tools and irrigation purpose are 30.47%, 27.71%, 28.52%, 30.54%, 25.60%, 26.07% & 24.78% from FY 057/58 to 063/64 respectively. The lowest percentage of collection to outstanding is 24.78% in FY 063/64 and the highest is 30.54% in FY 060/61.

The coefficient of correlation value calculated between loan disbursement and collection is +0.64 (See Appendix 5), which is positively correlated.

Coefficient of determination i.e. r is 0.41 indicates that 41% of the total variation in loan collection on agri-tools and irrigation purpose (Y) is explained by the loan disbursement on agri-tools and irrigation purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 degree of freedom is 2.571, which is greater than the calculated value of t = 1.88. Therefore the coefficient of correlation shows insignificant relationship between loan disbursement and collection.

The coefficient of correlation value calculated between loan outstanding and collection is +0.76 (See Appendix 6), which is highly positively correlated. Coefficient of determination i.e. r is 0.58 indicates that 58% of the total variation in loan collection on agri-tools and irrigation purpose (Y) is explained by the loan outstanding on agri-tools and irrigation purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 degree of freedom is 2.571, which is lesser than the calculated value of t = 2.62, therefore the coefficient of correlation significant or shows significant relationship between loan outstanding and collection on agri-tools and irrigation purpose.

Table No. 4.4

Actual loan disbursement, outstanding and collection on Livestock purpose

Rs. In "000"

F/Y	Loan disbursement			Loan outstanding			Loan collection			% of collection	
	Amount	Index	Growth %	Amount	Index	Growth %	Amount	Index	Growth %	To Disbursement	To Outstanding
2057/58	1208373	100		2795888	100		954367	100		78.98	34.13
2058/59	1349788	111.7	11.7	3120914	111.63	11.63	1024762	107.38	7.38	75.92	32.84
2059/60	1570117	128.02	16.32	3531911	124.8	13.17	1159120	120.49	13.11	73.82	32.82
2060/61	1634038	132.09	4.07	3798031	132.33	7.53	1367918	138.5	18.01	83.71	36.02
2061/62	1594604	129.68	-2.41	3929584	135.79	3.46	1463051	145.45	6.95	91.75	37.23
2062/63	1814717	145.24	15.56	4092568	139.94	4.15	1651715	160.26	14.81	91.15	41.04
2063/64	1872723	146.87	1.63	4185559	142.21	2.27	1779750	166.21	5.95	95.04	42.52

The above table, loan disbursement is increasing trend before and after FY 061/62. The lowest actual loan disbursement amount on Livestock is Rs. 1208373 thousand in FY 057/58 and highest is Rs. 1872723 thousand in FY 063/64. The lowest growth rate on loan disbursement is -2.41% in FY 061/62 and highest is 16.32% in FY 059/60.

Similarly, the loan outstanding amount is in continuous increasing trend each year. The lowest outstanding amount on Livestock is Rs. 2795888 thousand in FY 057/58 and highest is Rs. 4185559 thousand in FY 063/64. The lowest growth rate on loan outstanding on Livestock is 2.27% in FY 063/64 and highest is 13.17% in FY 059/60.

Likewise, the actual loan collection amount is also in continuous increasing trend. The lowest collection amount for loan collection on Livestock is Rs. 954367 thousand in FY 057/58 and highest is Rs. 1779750 thousand in FY 063/64. The lowest growth rate is on loan collection on Livestock is 5.95% in FY 063/64 and highest is 18.01% in FY 060/61.

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The percentage of loan collection to loan disbursement on Livestock purpose are 78.98%, 75.92%, 73.82%, 83.71%, 91.75%, 91.15% & 95.04% for FY 057/58 to 063/64 respectively. The lowest percentage of collection to disbursement is 73.82% in FY 059/60 and the highest is 95.04% in FY 063/64.

Similarly, the percentage of loan collection to outstanding on Livestock purpose are 34.13%, 32.84%, 32.82%, 36.02%, 37.23%, 41.04% & 42.52% form FY 057/58 to 063/64 respectively. The lowest percentage of collection to outstanding is 32.82% in FY 059/60 and the highest is 42.52% in FY 063/64.

The coefficient of correlation value calculated between loan disbursement and collection is +0.97 (See Appendix 7), which is weakly positively correlated. Coefficient of determination i.e. r is 0.94 indicates that 94% of the total variation in loan collection on livestock purpose (Y) is explained by the loan disbursement on livestock purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 degree of freedom is 2.571 is lesser than the calculated value of t = 8.82. Therefore the coefficient of correlation shows significant relationship between loan disbursement and collection.

The coefficient of correlation value calculated between loan outstanding and collection is +0.96 (See Appendix 8), which is highly positively correlated. Coefficient of determination i.e. r is 0.92 indicates that 92% of the total variation in loan collection on livestock purpose (Y) is explained by the loan outstanding of livestock purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571, which is lesser than the calculated value of t = 7.38, therefore the coefficient of

correlations significant shows significant relationship between loan outstanding and collection on livestock purpose.

Chart 4.4

Bar diagram of actual loan disbursement, outstanding and collection on Livestock purpose
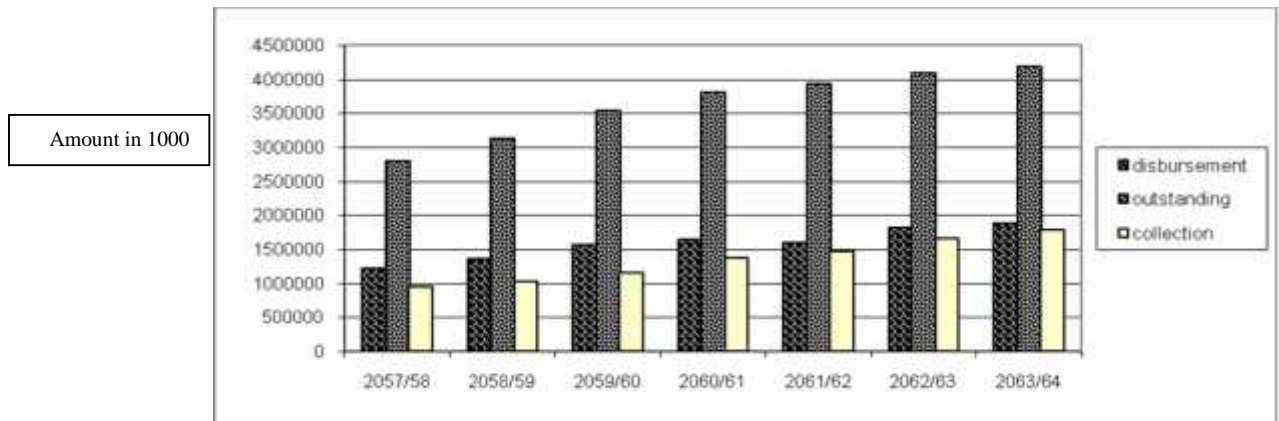
Table No. 4.5

Actual loan disbursement, outstanding and collection on Agro-cottage Industry purpose

Rs. In "000"

F/Y	Loan disbursement			Loan outstanding			Loan collection			% of collection	
	Amount	Index	Growth %	Amount	Index	Growth %	Amount	Index	Growth %	To Disbursement	To Outstanding
2057/58	1333374	100		2092259	100		1018322	100		76.37	48.67
2058/59	1461290	119.59	9.59	2363585	112.97	12.97	1189964	116.86	16.86	81.43	50.35
2059/60	1615447	130.14	10.55	2604143	123.15	10.18	1374889	132.4	15.54	85.11	52.8
2060/61	1929612	149.59	19.45	3002434	138.44	15.29	1531321	143.78	11.38	79.36	51
2061/62	1698831	137.63	-11.96	3095088	141.53	3.09	1606177	148.67	4089	94.55	51.89
2062/63	1519802	127.09	-10.54	3078466	140.99	-0.54	153624	144.33	-4.34	101.09	49.91
2063/64	1581416	131.14	4.05	3103300	141.8	0.81	1556582	145.64	1.31	98.43	50.16

Chart. 4.5

Bar diagram of actual loan disbursement, outstanding and collection on Agro-cottage Industry purpose
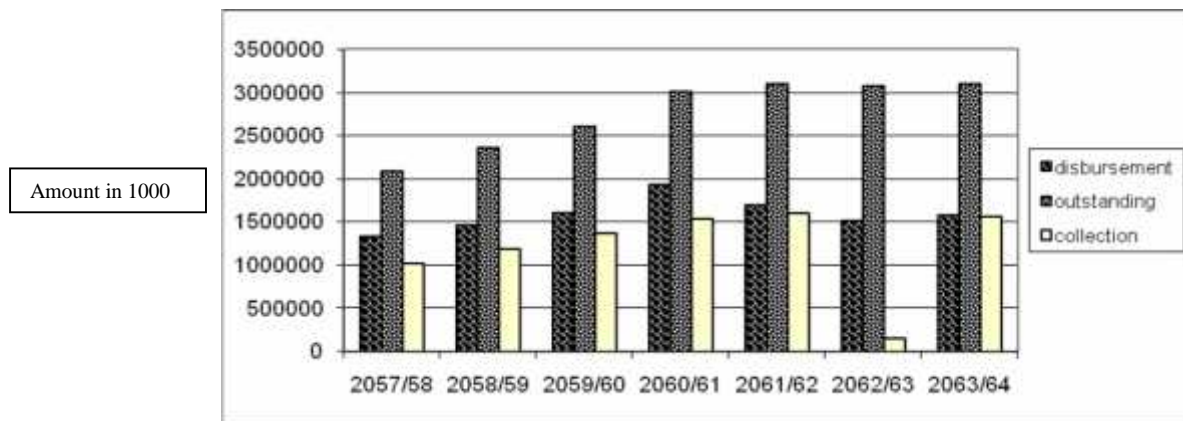
From the above table, loan disbursement is in fluctuating trend. The lowest actual loan disbursement amount on Agro-cottage Industry is Rs. 1333374 thousand in FY 057/58 and highest is Rs. 1929612 thousand in FY 060/61. The lowest growth rate on loan disbursement is -11.96% in FY 061/62 and highest is 19.45% in FY 060/61.

Similarly, the loan outstanding amount is in increasing trend. The lowest outstanding amount on Agro-cottage Industry is Rs. 2092259 thousand in FY 057/58 and highest is Rs. 3103300 thousand in FY 063/64. The lowest growth rate on loan outstanding on Agro-cottage Industry is -0.54% in FY 062/63 and highest is 15.29% in FY 060/61.

Similarly, the actual loan collection amount is also in continuous increasing trend till to FY 061/62 after that having bit slump in FY 062/63 again started to recovering. The lowest collection amount for loan collection on Agro-cottage Industry is Rs. 1018322 thousand in FY 057/58 and the highest is Rs. 1606177 in FY 061/62. The lowest growth rate on loan collection on Agri-

cottage Industry is 4034% in FY 062/63 and highest is 16.86% in FY 057/58.

The percentage of loan collection to loan disbursement on Agro-cottage purpose are 76.37%, 81.43%, 85.11%, 79.36%, 94.55%, 101.09% & 98.43% for FY 057/58 to 063/64 respectively. The lowest percentage of collection to disbursement is 76.37% in FY 057/58 and the highest is 101.09% in FY 063/64.

Similarly, the percentage of loan collection to outstanding on Agro-cottage purpose are 48.67%, 50.35%, 52.80%, 51.00%, 51.64%, 48.86% & 50.16% form FY 057/58 to 063/64 respectively. The lowest percentage of collection to outstanding is 48.67% in FY 057/58 and the highest is 52.80% in FY 059/60.

The coefficient of correlation value calculated between loan disbursement and collection is +0.74 (See Appendix 9), which is strongly positively correlated. Coefficient of determination i.e. r is 0.55 indicates that 55% of the total variation in loan collection on Agro-cottage purpose (Y) is explained by the loan disbursement on Agro-cottage purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571 is greater than the calculated value of t = 2.47. Therefore it shows insignificant relationship between loan disbursement and collection on Agro-cottage.

Likewise, the coefficient of correlation value calculated between loan outstanding and collection is +0.99 (See Appendix 10), which is highly positively correlated. Coefficient of determination i.e. r is 0.98 indicates that 98% of the total variation in loan collection on Agro-cottage purpose (Y) is explained by the loan outstanding on Agro-cottage purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5

of freedom is 2.571 is lesser than the calculated value of t = 16.50. Therefore the coefficient of correlations significant or shows significant relationship between loan outstanding and collection on Agro-cottage purpose.

Table No. 4.6

Actual loan disbursement, outstanding and collection on Bio Gas Industry purpose

Rs. In "000"

F/Y	Loan disbursement			Loan outstanding			Loan collection			% of collection	
	Amount	Index	Growth %	Amount	Index	Growth %	Amount	Index	Growth %	To Disbursement	To Outstanding
2057/58	90225	100		287428	100		106027	100		117.51	36.89
2058/59	101964	113.01	13.01	293427	102.09	2.09	95965	90.51	-9.49	94.12	32.7
2059/60	77912	89.42	-23.59	275955	96.14	-5.95	95384	89.9	-0.61	122.43	34.57
2060/61	96847	113.72	24.3	264672	92.05	-4.09	108130	76.54	13.36	111.65	40.85
2061/62	65075	80.91	-32.81	240343	82.86	-9.19	89404	59.22	-17.32	137.39	37.2
2062/63	74532	95.44	14.53	231041	78.99	-3.87	83834	52.99	-6.23	112.48	36.29
2063/64	39670	48.67	-46.77	193667	62.81	-16.18	77044	44.89	-8.1	194.21	39.78

Chart. 4.6

Bar diagram of actual loan disbursement, outstanding and collection on Bio Gas Industry purpose
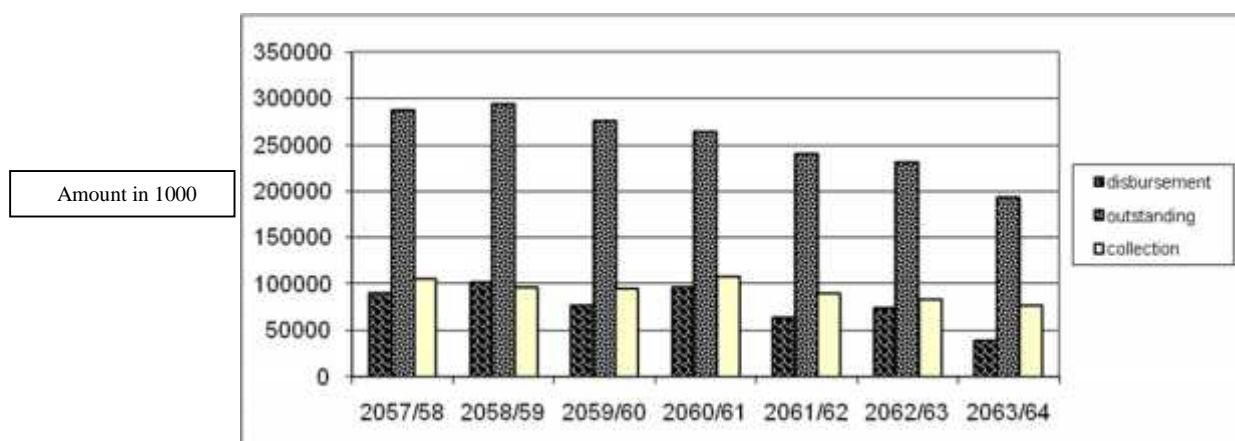
From the above table, loan disbursement is in fluctuating trend. The lowest actual loan disbursement amount on Bio Gas is Rs. 397670 thousand in FY

063/64 and highest is Rs. 101964 thousand in FY 058/59. The lowest growth rate on loan disbursement on Bio Gas is -44.45% in FY 063/64 and highest is 24.30% in FY 060/61.

Similarly, the loan outstanding amount is in decreasing trend after FY 058/59. The lowest outstanding amount on Bio Gas is Rs. 193667 thousand in FY 063/34 and highest is Rs. 293427 thousand in FY 058/59. The lowest growth rate on loan outstanding on Bio Gas is -16.18% in FY 063/64 and highest is 2.90% in FY 058/59.

Likewise, the actual loan collection amount is also in fluctuating trend. The lowest collection amount for loan collection on Bio Gas is Rs. 77044 thousand in FY 063/64 and the highest is Rs. 108130 in FY 060/61. The lowest growth rate on loan collection on Bio Gas is -17.32% in FY 061/62 and highest is 13.36% in FY 060/61.

The percentage of loan collection to loan disbursement on Bio Gas purpose are 117.51%, 94.12%, 122.43%, 111.65%, 137.39%, 112.48% & 194.21% for FY 057/58 to 063/64 respectively. The lowest percentage of collection to disbursement is 94.12% in FY 058/59 and the highest is 194.21% in FY 063/64.

Similarly, the percentage of loan collection to outstanding on Bio Gas Industry purpose are 36.89%, 32.70%, 34.57%, 40.85%, 37.20%, 36.29% & 39.78% form FY 057/58 to 063/64 respectively. The lowest percentage of collection to outstanding is 32.70% in FY 058/59 and the highest is 40.85% in FY 060/61.

The coefficient of correlation value calculated between loan disbursement and collection is +0.94 (See Appendix 11), which is highly positively

correlated. Coefficient of determination i.e. r is 0.88 indicates that 88% of the total variation in loan collection on Bio Gas Industrial purpose (Y) is explained by the loan disbursement on Bio Gas Industrial purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571 is lesser than the calculated value of t = 6.27. Therefore the coefficient of correlation shows significant relationship between loan disbursement and collection on Bio Gas Industry.

The coefficient of correlation value calculated between loan outstanding and collection is +0.87 (See Appendix 12), which is highly positively correlated. Coefficient of determination i.e. r is 0.76 indicates that 76% of the total variation in loan collection on Bio Gas Industrial purpose (Y) is explained by the loan outstanding on Bio Gas Industrial purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571, which is lesser than the calculated value of t = 3.95, therefore the coefficient of correlations significant or shows significant relationship between loan outstanding and collection on Bio Gas Industry.

Table No. 4.7

Actual loan disbursement, outstanding and collection on Land Development and Housing purpose

Rs. In "000"

| F/Y | Loan disbursement | | | Loan outstanding | | | Loan collection | | | % of collection | |
	Amount	Index	Growth %	Amount	Index	Growth %	Amount	Index	Growth %	To Disbursement	To Outstanding
2057/58	14916	100		57376	100		17502	100		117.34	30.5
2058/59	13343	89.45	-10.55	61659	107.46	7.46	9060	51.77	-48.23	67.9	14.69
2059/60	12120	80.28	-9.17	63141	109.86	2.4	10638	69.19	17.42	87.77	16.84
2060/61	20502	149.44	69.16	63105	109.26	-0.6	20538	162.25	93.06	100.18	32.55
2061/62	5819	77.82	-71.62	61229	106.29	-2.97	7695	99.72	-62.53	132.24	12.57
2062/63	4225	50.43	-27.39	50434	88.66	-17.63	15020	194.91	95.19	355.5	29.78
2063/64	8529	152.3	101.87	47581	83	-5.66	11382	170.69	-24.22	133.45	23.92

Chart. 4.7

Bar diagram of actual loan disbursement, outstanding and collection on Land Development and Housing purpose
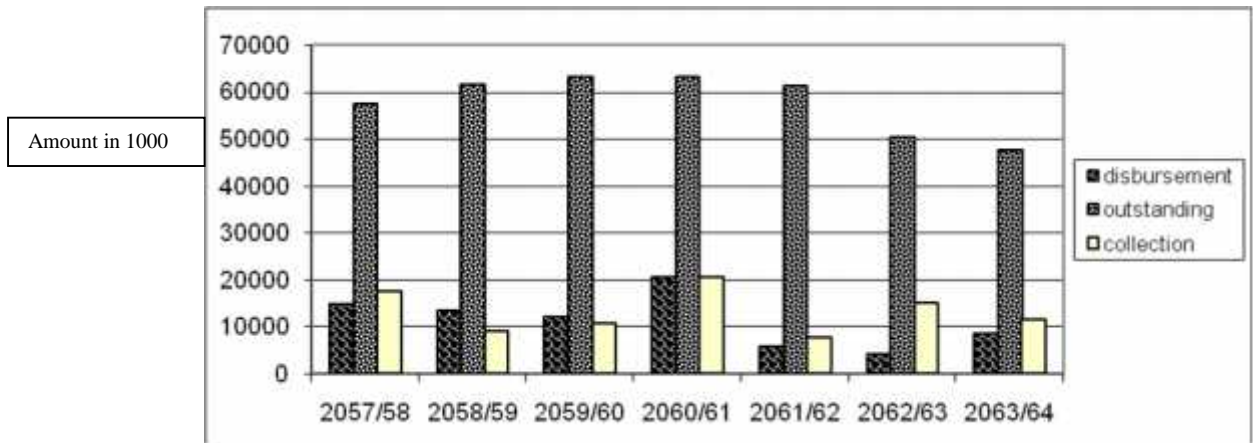
From the above table, loan disbursement is in fluctuating trend. The lowest actual loan disbursement amount on land development and housing is Rs. 4225 thousand in FY 062/63 and highest is Rs. 20502 thousand in FY 060/61. The lowest growth rate on loan disbursement on land development and housing is -71.62% in FY 061/62 and highest is 101.87% in FY 063/64.

Similarly, the loan outstanding amount is in decreasing trend after FY 060/61. The lowest outstanding amount on land development and housing is Rs. 47581 thousand in FY 063/64 and highest is Rs. 63141 thousand in FY 059/60. The lowest growth rate on loan outstanding on land development and housing is 17.63% in FY 062/63 and highest is 7.46% in FY 058/59.

Likewise, the actual loan collection amount is also in fluctuating trend. The lowest collection amount for loan collection on land development and housing is Rs. 7695 thousand in FY 061/62 and the highest is Rs. 20538 in FY 060/61. The lowest growth rate on loan collection on land development and housing is -62.53% in FY 061/62 and highest is 95.19% in FY 062/63.

The percentage of loan collection to loan disbursement on land development and housing purpose are 117.34%, 67.90%, 87.77%, 100.18%, 132.24%, 355.50% & 133.45% for FY 057/58 to 063/64 respectively. The lowest percentage of collection to disbursement is 67.90% in FY 058/59 and the highest is 355.50% in FY 062/63.

Similarly, the percentage of loan collection to outstanding on land development and housing purpose are 30.50%, 14.69%, 16.84%, 32.55%, 12.57%, 29.78% & 23.92% form FY 057/58 to 063/64 respectively. The lowest percentage of collection to outstanding is 12.57% in FY 061/62 and the highest is 32.55% in FY 060/61.

The coefficient of correlation value calculated between loan disbursement and collection is +1 (See Appendix 13), which is perfectly positively correlated. Coefficient of determination i.e. r is 1 indicates that 100% of the total variation in loan collection on land development and housing purpose (Y) is explained by the loan disbursement on land development and housing

purpose (X). This perfect correlation between loan disbursement and loan collection shows significant relationship between loan disbursement and collection on land development and housing industry. Hence there is no need to use hypothesis test to determine the relationship between these two variables.

The coefficient of correlation value calculated between loan outstanding and collection is +0.45 (See Appendix 14), which is weakly positively correlated. Coefficient of determination i.e. r is 0.20 indicates that 20% of the total variation in loan collection on land development and housing purpose (Y) is explained by the loan outstanding on land development and housing purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571, which is greater than the calculated value of t = 1.13, therefore the coefficient of correlations insignificant or shows insignificant relationship between loan outstanding and collection on land development and housing industry.

Table No. 4.8

Actual loan disbursement, outstanding and collection on Horticulture purpose

F/Y	Loan disbursement			Loan outstanding			Loan collection			% of collection	
	Amount	Index	Growth %	Amount	Index	Growth %	Amount	Index	Growth %	To Disbursement	To Outstanding
2057/58	53203	100		242168	100		35633	100		66.98	14.71
2058/59	36856	69.27	-30.73	239918	99.07	-0.93	39106	109.75	9.75	106.1	16.3
2059/60	38163	72.82	3.55	238061	98.3	-0.77	40020	112.09	2.34	104.87	16.81
2060/61	48227	99.19	26.37	236802	97.77	-0.53	49486	135.74	23.65	102.61	20.9
2061/62	32633	66.86	-32.33	228751	94.37	-3.4	40684	117.95	-17.79	124.67	17.79
2062/63	34912	73.84	6.98	217473	89.44	-4.93	46190	131.48	13.53	132.3	21.24
2063/64	31909	82.44	8.6	197452	80.23	-9.21	51930	143.91	12.43	162.74	26.3

Chart. 4.8

Bar diagram of actual loan disbursement, outstanding and collection on Horticulture purpose
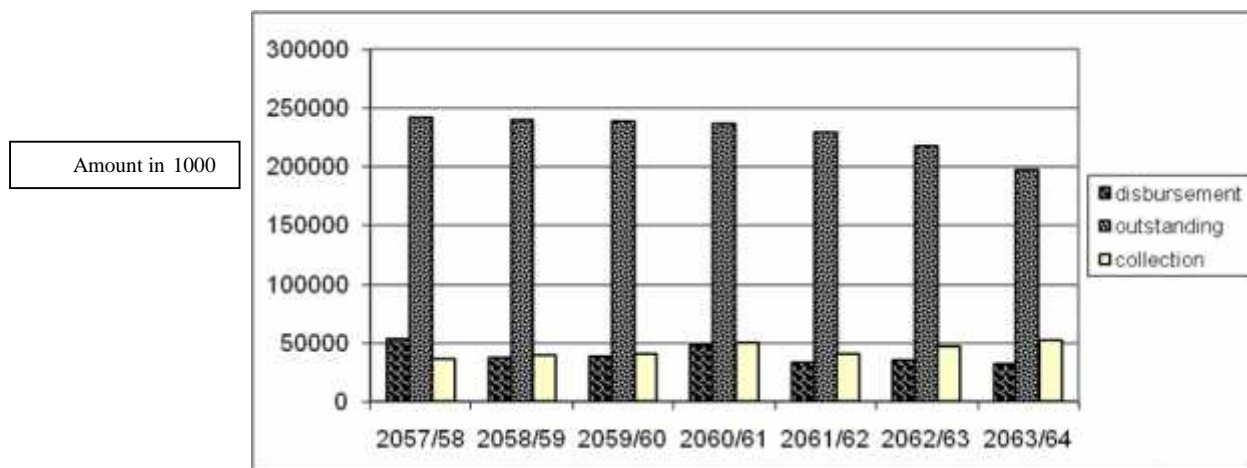
In the above table, loan disbursement is in fluctuating trend. The lowest actual loan disbursement amount on horticulture is Rs. 36856 thousand in FY 058/59 and highest is Rs. 53203 thousand in FY 057/58. The lowest growth rate on loan disbursement on horticulture is -32.33% in FY 061/62 and highest is 126.37% in FY 060/61.

Similarly, the loan outstanding amount is in continuous decreasing trend. The lowest outstanding amount on horticulture is Rs. 197452 thousand in FY 063/64 and highest is Rs. 242468 thousand in FY 057/58. The lowest growth rate on loan outstanding on horticulture is -9.21% in FY 063/64 and highest is -0.53% in FY 060/61.

Likewise, the actual loan collection amount is also in increasing trend before and after FY 061/62. The lowest collection amount on loan collection for horticulture is Rs. 40684 thousand in FY 061/62 and the highest is Rs. 51930 in FY 063/64. The lowest growth rate on loan collection on horticulture is -17.79% in FY 061/62 and highest is 23.65% in FY 060/61.

The percentage of loan collection to loan disbursement on horticulture purpose are 66.98%, 106.10%, 104.87%, 102.61%, 124.67%, 132.30% & 162.7% for FY 057/58 to 063/64 respectively. The lowest percentage of collection to disbursement is 66.98% in FY 057/58 and the highest is 162.74% in FY 063/64.

Similarly, the percentage of loan collection to outstanding on horticulture purpose are 14.71%, 16.30%, 16.81%, 20.90%, 17.79%, 21.24% & 26.30% form FY 057/58 to 063/64 respectively. The lowest percentage of collection to outstanding is 14.71% in FY 057/58 and the highest is 26.30% in FY 063/64.

The coefficient of correlation value calculated between loan disbursement and collection is +0.17 (See Appendix 15), which is very weakly positively correlated. Coefficient of determination i.e. r is 0.03 indicates that 3% of the total variation in loan collection on horticulture purpose (Y) is explained by the loan disbursement on horticulture purpose (X). The tabulated critical

value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571 is greater than the calculated value of t = 0.39. Therefore the coefficient of correlation shows insignificant relationship between loan disbursement and collection on horticulture.

The coefficient of correlation value calculated between loan outstanding and collection is -0.89 (See Appendix 16), which is strongly negatively correlated. Coefficient of determination i.e. r is 0.79 indicates that 79% of the total variation in loan collection on horticulture purpose (Y) is explained by the loan outstanding on horticulture purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571, which is lesser than the calculated value of t = 4.45, therefore the coefficient of correlations is significant or shows significant relationship between loan outstanding and collection on horticulture.

Table No. 4.9

Actual loan disbursement, outstanding and collection on Go-down and Cold Storage purpose

Rs. In "000"

F/Y	Loan disbursement			Loan outstanding			Loan collection			% of collection	
	Amount	Index	Growth %	Amount	Index	Growth %	Amount	Index	Growth %	To Disbursement	To Outstanding
2057/58	44179	100		152404	100		8657	100		19.6	5.68
2058/59	100238	226.89	126.89	236194	154.98	54.98	16448	190	90	16.41	6.97
2059/60	70647	197.37	-29.52	281183	174.03	19.05	25658	256	66	36.32	9.13
2060/61	49090	166.86	-30.51	292529	178.07	4.04	37744	303.1	47.1	76.89	12.9
2061/62	62282	193.73	26.87	310707	184.28	6.21	44104	319.95	16.85	70.81	14.19
2062/63	14924	117.69	-76.04	296368	179.67	-4.61	29263	286.3	-33.65	196.08	9.87
2063/64	38714	277.1	159.41	323354	188.78	9.11	11728	226.38	-59.92	30.29	3.63

Chart. 4.9

Bar diagram of actual loan disbursement, outstanding and collection on Go-down and Cold Storage purpose
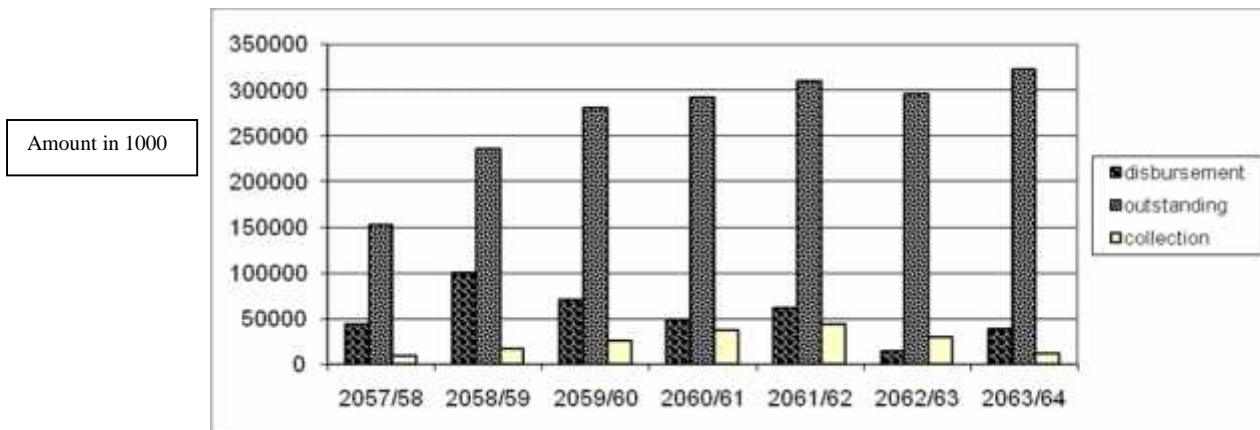
From the above table, loan disbursement is in fluctuating trend. The lowest actual loan disbursement amount on go-down and cold storage is Rs. 14924 thousand in FY 062/63 and highest is Rs. 100238 thousand in FY 058/59. The lowest growth rate on loan disbursement on go-down and cold storage is -76.04% in FY 062/63 and highest is 159.41% in FY 063/64.

Similarly, the loan outstanding amount is in increasing trend except FY 062/63. The lowest outstanding amount on go-down and cold storage is Rs. 152404 thousand in FY 057/58 and highest is Rs. 323354 thousand in FY 063/64. The lowest growth rate on loan outstanding on go-down and cold storage is -4.61% in FY 062/63 and highest is 54.98% in FY 058/59.

Likewise, the actual loan collection amount is in decreasing trend after FY 062/63. The lowest collection amount on loan collection on go-down and cold storage is Rs. 8657 thousand in FY 057/58 and the highest is Rs. 44104 in FY 061/62. The lowest growth rate on loan collection on go-down and cold storage is -59.92% in FY 063/64 and highest is 90% in FY 058/59.

The percentage of loan collection to loan disbursement on go-down and cold storage purpose are 19.60%, 16.41%, 36.32%, 76.89%, 70.81%, 196.08% & 30.29% for FY 057/58 to 063/64 respectively. The lowest percentage of collection to disbursement is 19.60% in FY 057/58 and the highest is 196.08% in FY 062/63.

Similarly, the percentage of loan collection to outstanding on go-down and cold storage purpose are 5.68%, 6.97%, 9.13%, 12.90%, 14.19%, 9.87% & 3.63% form FY 057/58 to 063/64 respectively. The lowest percentage of collection to outstanding is 3.63% in FY 063/64 and the highest is 14.19% in FY 061/62.

The coefficient of correlation value calculated between loan disbursement and collection is -0.03 (See Appendix 17), which is weakly negatively correlated. Coefficient of determination i.e. r is 0.001 indicates that 0.1% of the total variation in loan collection on go-down and cold storage purpose (Y) is explained by the loan disbursement on go-down and cold storage purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571 is greater than the calculated value of t = 0.07. Therefore the coefficient of correlation shows insignificant relationship between loan disbursement and collection on go-down and cold storage.

The coefficient of correlation value calculated between loan outstanding and collection is 0.57 (See Appendix 18), which is positively correlated. Coefficient of determination i.e. r is 0.32 indicates that 32% of the total variation in loan collection on go-down and cold storage purpose (Y) is explained by the loan outstanding on go-down and cold storage purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571, which is greater than the calculated value of t =

1.54, therefore the coefficient of correlations is insignificant or shows insignificant relationship between loan outstanding and collection on go-down and cold storage.

Table No. 4.10

**Actual loan disbursement, outstanding and collection on Tea and Coffee purpose**

Rs. In "000

| F/Y | Loan disbursement | | | Loan outstanding | | | Loan collection | | | % of collection | |
	Amount	Index	Growth %	Amount	Index	Growth %	Amount	Index	Growth %	To Disbursement	To Outstanding
2057/58	113381	100		424068	100		20330	100		17.93	4.79
2058/59	141872	125.13	25.13	423701	99.91	-0.09	142239	699.65	599.65	100.26	33.57
2059/60	97461	93.83	-31.3	505225	119.15	19.24	15937	610.85	-88.8	16.35	3.15
2060/61	52119	47.31	-46.52	531465	124.34	5.19	25877	673.22	62.37	49.65	4.87
2061/62	40804	25.6	-21.71	558541	129.43	5.09	17730	641.74	-31.48	43.45	3.17
2062/63	37979	18.68	-6.92	569107	131.32	1.89	27413	696.35	54.61	72.18	4.82
2063/64	23560	-19.29	-37.97	564854	130.58	-0.74	27813	697.81	1.46	118.05	4.92

Chart. 4.10

Bar diagram of actual loan disbursement, outstanding and collection on Tea and Coffee purpose
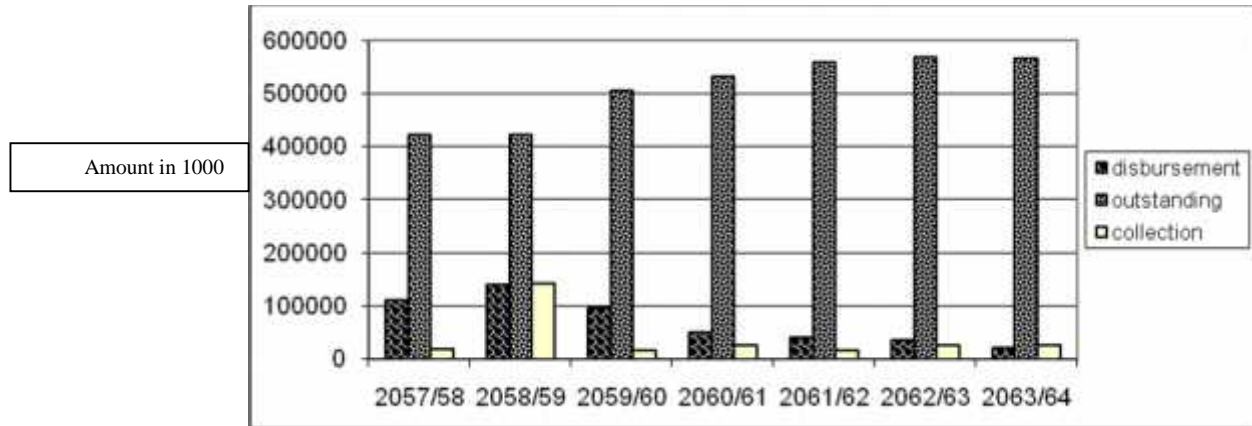
From the above table, loan disbursement is in continuous decreasing trend from FY 059/60. The lowest actual loan disbursement amount on tea and coffee is Rs. 23560 thousand in FY 063/64 and highest is Rs. 141872 thousand in FY 058/59. The lowest growth rate on loan disbursement on tea and coffee is -46.52% in FY 060/61 and highest is 25.13% in FY 058/59.

Similarly, the loan outstanding amount is in increasing trend except marginal slump in FY 058/59 and 063/64. The lowest outstanding amount on tea and coffee is Rs. 423701 thousand in FY 058/59 and highest is Rs. 569107 thousand in FY 062/63. The lowest growth rate on loan outstanding on tea and coffee is -0.74% in FY 063/64 and highest is 19.24% in FY 059/60.

Likewise, the actual loan collection amount is in fluctuating trend. The lowest collection amount on loan collection on tea and coffee is Rs. 15937 thousand in FY 059/60 and the highest is Rs. 142239 in FY 058/59. The lowest growth rate on loan collection on tea and coffee is -88.80% in FY 059/60 and highest is 599.65% in FY 058/59.

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The percentage of loan collection to loan disbursement on tea and coffee purpose are 17.93%, 100.26%, 16.35%, 49.65%, 43.45%, 72.18% & 118.05% for FY 057/58 to 063/64 respectively. The lowest percentage of collection to disbursement is 16.35% in FY 059/60 and the highest is 118.05% in FY 063/64.

Similarly, the percentage of loan collection to outstanding on tea and coffee purpose are 4.79%, 33.57%, 3.15%, 4.87%, 3.17%, 4.82% & 4.92% form FY 057/58 to 063/64 respectively. The lowest percentage of collection to outstanding is 3.15% in FY 059/60 and the highest is 4.92% in FY 063/64.

The coefficient of correlation value calculated between loan disbursement and collection is 0.63 (See Appendix 19), which is strongly positively correlated. Coefficient of determination i.e. r is 0.40 indicates that 40% of the total variation in loan collection on tea and coffee purpose (Y) is explained by the loan disbursement on tea and coffee purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571 is greater than the calculated value of t = 1.8. Therefore the coefficient of correlation shows insignificant relationship between loan disbursement and collection on tea and coffee.

The coefficient of correlation value calculated between loan outstanding and collection is -0.57 (See Appendix 20), which is strongly negatively correlated. Coefficient of determination i.e. r is 0.32 indicates that 32% of the total variation in loan collection on tea and coffee purpose (Y) is explained by the loan outstanding on tea and coffee purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571, which is greater than the calculated value of t = 1.54, therefore the coefficient of correlations is insignificant or shows insignificant relationship between loan outstanding and collection on tea and coffee.

Table No. 4.11

Actual loan disbursement, outstanding and collection on Non-agri. Loan purpose

Rs. In "000

F/Y	Loan disbursement			Loan outstanding			Loan collection			% of collection	
	Amount	Index	Growth %	Amount	Index	Growth %	Amount	Index	Growth %	To Disbursement	To Outstanding
2057/58	0	100		0	100		0	100		0	0
2058/59	0	100	0	0	100	0	0	100	0	0	0
2059/60	92329	100	0	74671	100	0	17658	100	0	19.13	23.65
2060/61	446582	483.69	383.69	386381	517.44	417.44	134872	763.8	663.8	30.2	34.91
2061/62	1069157	623.1	139.41	758764	613.82	96.38	696774	1180.42	416.62	65.17	91.83
2062/63	1557808	668.8	45.7	1393040	530.23	83.59	923532	1212.96	32.54	59.28	66.3
2063/64	2093529	703.19	34.39	1854932	563.39	33.16	1631637	1289.63	76.67	77.94	87.96

Chart. 4.11

Bar diagram of actual loan disbursement, outstanding and collection on Non-agri. Loan purpose
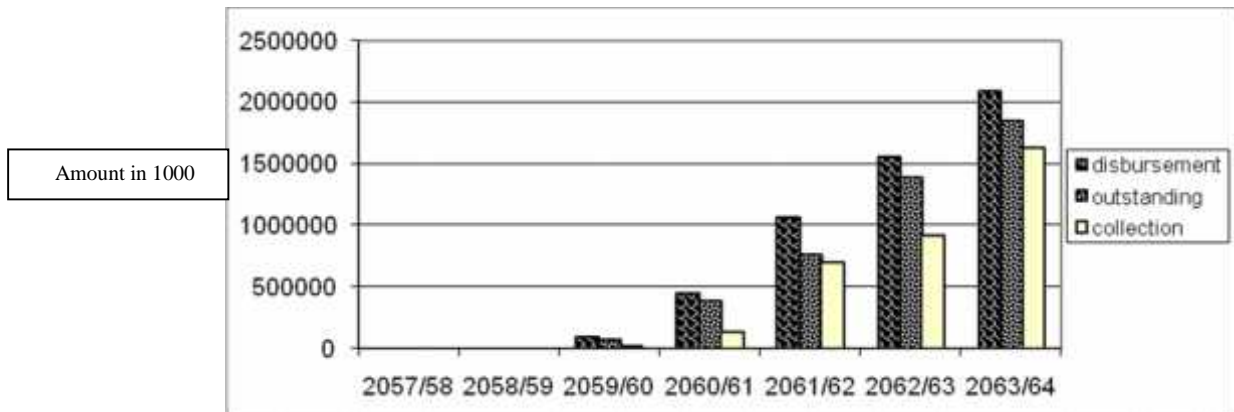
From the above table, loan disbursement is in continuous increasing trend from FY 059/60 before FY 059/60 no loan disbursement was made. The lowest actual loan disbursement amount on non-agri.loan is Rs. 92329 thousand in FY 059/60 and highest is Rs. 2093529 thousand in FY 063/64. The lowest growth rate on loan disbursement on non-agri.loan is 34.39% in FY 063/64 and highest is 383.69% in FY 060/61.

Similarly, no loan outstanding amount was made before FY 058/59 and after that it is in continuous increasing trend. The lowest outstanding amount on non-agri.loan is Rs. 74671 thousand in FY 059/60 and highest is Rs. 1854932 thousand in FY 063/64. The lowest growth rate on loan outstanding on non-agri.loan is 33.16% in FY 063/64 and highest is 417.44% in FY 060/61.

Likewise, no loan collection amount was made before FY 058/59 and after that it is in continuous increasing trend. The lowest collection amount on loan collection on non-agri.loan is Rs. 17658 thousand in FY 059/60 and the highest is Rs. 1631637 in FY 063/64. The lowest growth rate on loan collection on non-agri.loan is 32.54% in FY 062/63 and highest is 663.80% in FY 060/61.

The percentage of loan collection to loan disbursement on non-agri.loan purpose are 0%, 0%, 19.13%, 30.20%, 65.17%, 59.28% & 77.94% for FY 057/58 to 063/64 respectively. The lowest percentage of collection to disbursement is 19.13% in FY 059/60 and the highest is 77.94% in FY 063/64.

Similarly, the percentage of loan collection to outstanding on non-agri.loan purpose are 0%, 0%, 23.65%, 34.91%, 91.83%, 66.30% & 87.96% form FY 057/58 to 063/64 respectively. The lowest percentage of collection to outstanding is 23.65% in FY 059/60 and the highest is 91.83% in FY 061/62.

The coefficient of correlation value calculated between loan disbursement and collection is 0.98 (See Appendix 21), which is strongly positively correlated. Coefficient of determination i.e. r is 0.96 indicates that 96% of the total variation in loan collection on non-agri.loan purpose (Y) is

explained by the loan disbursement on non-agri.loan purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571 is lesser than the calculated value of t = 10.89. Therefore the coefficient of correlation shows significant relationship between loan disbursement and collection on non-agri.loan.

The coefficient of correlation value calculated between loan outstanding and collection is 0.98 (See Appendix 22), which is strongly positively correlated. Coefficient of determination i.e. r is 0.96 indicates that 96% of the total variation in loan collection on non-agri.loan purpose (Y) is explained by the loan outstanding on non-agri.loan purpose (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571, which is greater than the calculated value of t = 10.89, therefore the coefficient of correlations is significant or shows significant relationship between loan outstanding and collection on non-agri.loan.

Table No. 4.12

Actual loan disbursement, outstanding and collection on Tourism purpose

Rs. In "000

F/Y	Loan disbursement			Loan outstanding			Loan collection			% of collection	
	Amount	Index	Growth %	Amount	Index	Growth %	Amount	Index	Growth %	To Disbursement	To Outstanding
2057/58	0	100		0	100		0	100		0	0
2058/59	0	100	0	0	100	0	0	100	0	0	0
2059/60	0	100	0	0	100	0	0	100	0	0	0
2060/61	20772	100	0	7829	100	0	12943	100	0	62.31	165.32
2061/62	0	0	-100	7829	100	0	0	0	-100	0	0
2062/63	0	0	0	0	100	0	7829	0	0	0	0
2063/64	0	0	0	0	100	0	0	-100	-100	0	0

Chart. 4.12

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Bar diagram of actual loan disbursement, outstanding and collection on Tourism purpose

From the above table, ADBL has disbursed Rs. 20772 thousand only in FY 060/61 and collected Rs. 12943 thousand in same fiscal year. Remaining outstanding amount Rs. 7829 thousand in was collected in FY 062/63. Presented data shows no outstanding due amount is to be collected. Before and after FY 060/61, no amount was disbursed for tourism sector.

4.2.2 Term wise actual loan disbursement, outstanding and collection

Table No. 4.13

Short-term actual loan disbursement, outstanding and collection

Rs. In "000"

F/Y	Loan disbursement	Loan outstanding	Loan collection	% of loan collection	
				To loan disbursement	To loan outstanding
2057/58	3239622	4531328	2477445	76.47	54.67
2058/59	3800496	5387211	2944613	77.47	54.66
2059/60	4355957	6286975	3456193	79.34	54.97
2060/61	5457464	7646441	4172669	76.46	54.57
2061/62	6053780	8573861	5126360	84.68	59.8
2062/63	7756532	10086655	6243738	80.5	61.9
2063/64	8863264	11209693	7740226	87.33	69.05

Chart. 4.13

Bar diagram of short-term actual loan disbursement, outstanding and collection

Generally, short-term loan is granted to the farmers from ADBL in different purpose such as cereal crop, cash crop and marketing ranging one to two years.

From the above table, the loan disbursement, outstanding and collection all are in continuous increasing trend for the whole sampled fiscal year. The lowest short term actual loan disbursement amount is Rs. 3239622 thousand in FY 057/58 and the highest is Rs. 8863264 thousand in FY 063/64. The lowest loan outstanding amount Rs. 4531328 in FY 057/58 thousand and the highest is Rs. 11209693 thousand in FY 063/64. Likewise, the lowest loan collection amount is Rs. 2477445 thousand in FY 057/58 and the highest is 7740226 thousand in FY 063/64.

The percentage of loan collection to loan disbursement are 76.47%, 77.47%, 79.34%, 76.46%, 84.68%, 80.50% & 87.33% for FY 057/58 to FY 063/64 respectively, where the lowest percentage is 76.46% in FY 060/61 and the highest percentage is 87.33% in FY 063/64.

Likewise, the percentage of loan collection to loan outstanding are 54.67%, 54.66%, 54.97%, 54.57%, 167.25%, 61.90% & 69.05% from FY 057/58 to 063/64 respectively where the lowest percentage is 54.66% in FY 058/59 and the highest is 69.05% in FY 063/64.

Medium-term actual loan disbursement, outstanding and collection

Rs. In "000"

F/Y	Loan disbursement	Loan outstanding	Loan collection	% of loan collection	
				To loan disbursement	To loan outstanding
2057/58	3687023	7531231	2798743	75.91	37.16
2058/59	4010007	8486084	3055154	76.19	36
2059/60	4326633	9353125	3459592	79.96	36.99
2060/61	4508371	9899379	3887446	86.23	39.27
2061/62	3959070	10005912	3852537	97.31	38.52
2062/63	3950768	10003410	3953270	100.06	39.52
2063/64	3898096	9891599	4009907	102.87	40.54

Chart. 4.14

Bar diagram of medium-term actual loan disbursement, outstanding and collection

Medium term loan is granted generally for 3-7 years period on different purpose such as agri-tools and irrigation, agro business and industry and bio gas. This type of loan helps to purchase such as tractor, pump set, farm equipments and to poultry farming, bee keeping, sericulture etc.

From the above table, the loan disbursement is in decreasing trend from FY 061/62. The lowest short term actual loan disbursement amount is Rs. 3687023 thousand in FY 057/58 and the highest is Rs. 4508371 thousand in FY 060/61. Similarly, the actual loan outstanding is also in decreasing after FY 062/63. The lowest loan outstanding amount Rs. 7531231 in FY 057/58 thousand and the highest is Rs. 10005912 thousand in FY 061/62. Likewise, the actual loan collection is in increasing trend after having slump in FY

062/63. The lowest loan collection amount is Rs. 2798743 thousand in FY 057/58 and the highest is 4009907 thousand in FY 063/64.

The percentage of loan collection to loan disbursement are 75.91%, 76.19%, 79.96%, 86.23%, 97.31%, 100.06% & 102.87% form FY 057/58 to FY 063/64 respectively, where the lowest percentage is 75.91% in FY 057/58 and the highest percentage is 102.87% in FY 063/64.

Likewise, the percentage of loan collection to loan outstanding are 37.16%, 36.00%, 36.99%, 39.27%, 38.52%, 39.52% & 40.54% from FY 057/58 to 063/64 respectively where the lowest percentage is 36.00% in FY 058/59 and the highest is 40.54% in FY 063/64.

Table No. 4.15

Long-term actual loan disbursement, outstanding and collection

Rs. In "000"

F/Y	Loan disbursement	Loan outstanding	Loan collection	% of loan collection	
				To loan disbursement	To loan outstanding
2057/58	211074	828146	65166	30.87	7.87
2058/59	279341	909097	198390	71.02	21.82
2059/60	206271	1033636	81732	39.62	7.91
2060/61	149436	1069855	113217	75.76	10.58
2061/62	135719	1107056	98518	72.59	8.9
2062/63	87815	1082948	111923	127.45	10.34
2063/64	94183	1085660	91471	97.12	8.43

Chart. 4.15

Bar diagram of long-term actual loan disbursement, outstanding and collection

Long-term is generally granted for 8-20 years on different purpose such as horticulture, go-down and cold storage, tea and coffee, land developing and housing etc.

From the above table, the loan disbursement is in fluctuating trend. The lowest short term actual loan disbursement amount is Rs. 87815 thousand in FY 062/63 and the highest is Rs. 279341 thousand in FY 058/59. Similarly, the actual loan outstanding is also in increasing trend except FY 062/63. The lowest loan outstanding amount Rs. 828146 in FY 057/58 thousand and the highest is Rs. 1107056 thousand in FY 061/62. Likewise, the actual loan collection is in fluctuating trend. The lowest loan collection amount is Rs. 65166 thousand in FY 057/58 and the highest is 198390 thousand in FY 058/59.

The percentage of loan collection to loan disbursement are 30.87%, 71.02%, 39.62%, 75.76%, 72.59%, 127.45% & 97.12% from FY 057/58 to FY 063/64 respectively, where the lowest percentage is 30.87% in FY 057/58 and the highest percentage is 127.45% in FY 062/63.

Likewise, the percentage of loan collection to loan outstanding are 7.87%, 21.82%, 7.91%, 10.58%, 8.90%, 10.34% & 8.43% from FY 057/58 to 063/64 respectively where the lowest percentage is 7.87% in FY 057/58 and the highest is 21.82% in FY 058/59.

Table No. 4.16

Total loan disbursement, outstanding and collection of ADBL

Rs. In "000

F/Y	Loan disbursement			Loan outstanding			Loan collection			% of collection	
	Amount	Index	Growth %	Amount	Index	Growth %	Amount	Index	Growth %	To Disbursement	To Outstanding
2057/58	7137719	100		12890705	100		5341354	100		74.83	41.44
2058/59	8089844	113.34	13.34	14782392	114.67	14.67	6198157	116.04	16.04	76.62	41.93
2059/60	8888861	123.22	9.88	16673736	127.46	12.79	6997517	128.94	12.9	78.72	41.97
2060/61	1E+07	137.02	13.8	18615675	139.11	11.65	8173332	145.74	16.8	80.8	43.91
2061/62	1E+07	137.35	0.33	19686829	144.86	5.75	9077415	156.8	11.06	89.45	46.11
2062/63	1.2E+07	153.57	16.22	21173013	152.41	7.55	10308931	170.37	13.57	87.4	48.69
2063/64	1.3E+07	162.56	8.99	22186952	157.2	4.79	11841604	185.24	14.87	92.11	53.37

Chart. 4.16

Bar diagram of total loan disbursement, outstanding and collection of ADBL

From the above table, total loan disbursement is in continues increasing trend. The lowest total actual loan disbursement amount is Rs. 7137719 thousand in FY 057/58 and highest is Rs. 12855543 thousand in FY 063/64. The lowest growth rate on total loan disbursement is 0.33% in FY 061/62 and highest is 16.22% in FY 062/63.

Similarly, total loan outstanding amount also is in increasing trend. The lowest total outstanding amount is Rs. 12890705 thousand in FY 057/58 and highest is Rs. 22186952 thousand in FY 063/64. The lowest growth rate on total loan outstanding is 4.79% in FY 063/64 and highest is 14.67% in FY 058/59.

Likewise, total actual loan collection amount is also in increasing trend. The lowest total loan collection amount is Rs. 5341354 thousand in FY 057/58 and the highest is Rs. 11841604 in FY 063/64. The lowest growth rate on

total loan collection is 11.06% in FY 061/62 and highest is 16.80% in FY 060/61.

The percentage of total loan collection to loan disbursement are 74.83%, 76.62%, 78.72%, 80.80%, 89.45%, 87.40% & 92.11% for FY 057/58 to 063/64 respectively. The lowest percentage of total collection to disbursement is 74.83% in FY 057/58 and the highest is 92.11% in FY 063/64.

Similarly, the percentage of total loan collection to outstanding is 41.44%, 41.93%, 41.97%, 43.91%, 46.11%, 48.69%, & 53.37% form FY 057/58 to 063/64 respectively. The lowest percentage of total collection to outstanding is 41.44% in FY 057/58 and the highest is 53.37% in FY 063/64.

The coefficient of correlation value calculated between total loan disbursement and total collection is 0.99 (See Appendix 23), which is strongly positively correlated.

Coefficient of determination i.e. r^2 is 0.98 indicates that 98% of the total variation in total loan collection (Y) is explained by the total loan disbursement (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571 is lesser than the calculated value of t* = 16.5. Therefore the coefficient of correlation shows significant relationship between total loan disbursement and total collection.

The coefficient of correlation value calculated between total loan outstanding and total loan collection is 0.98 (See Appendix 24) which is strongly positively correlated.

Coefficient of determination i.e. r^2 is 0.96 indicates that 96% of the total variation in total loan collection (Y) is explained by the total loan

outstanding (X). The tabulated critical value of t at 5% level of significance for two tailed test at 5 of freedom is 2.571, which is greater than the calculated value of t* = 10.89, therefore the coefficient of correlation shows significant relationship between total loan outstanding and total collection.

Table No. 4.17

Trend analysis of loan Investment for FY 057/58 to FY 063/64

Rs. in "000"

S.N	Purpose	056/57	057/58	058/59	059/60	060/61	061/62	062/63	% Growth
1.	Cereal & Cash Crops	1780774	1913255	1891892	2121509	1845621	1938177	1799488	1.05
2.	Marketing	1458848	1887241	2464065	2889373	3139002	4260547	4970247	240.70
3.	Agri-tools & Irrigation	1040446	1083997	958708	806600	594741	537492	395758	-61.96
4.	Livestock	1208373	1349788	1570117	1634038	1594604	1814717	1872723	-35.48
5.	Agri-cottage Industry	1333374	1461290	1615447	1929612	1698831	1519802	1581416	18.60
6.	Bio Gas	90225	101964	77912	96847	65075	74532	39670	-56.03
7.	Land development & housing	14916	13343	12120	20502	5819	4225	8529	74.86
8.	Horticulture	53203	36856	38163	48227	32633	34912	31909	-40.02
9.	Go-down & cold storage	44179	100238	70647	49090	62282	14924	38714	-12.37
10.	Tea & coffee	113381	141872	97461	52119	40804	37979	23560	-79.22
11.	Non-agri loan	0	0	92329	446582	1069157	1557808	2093529	-
12	Tourism	0	0	0	20772	0	0	0	-
	Total loan investment	**7137719**	**8089844**	**8888861**	**10115271**	**10148569**	**11795115**	**12855543**	**80.11**

Source: MIS Division

Total investment table shows that, though the growth rate of cereal & cash crops is very marginal, the highest volume of amount is invested for the same purpose according to the ADBL's objective. After that the highest percentage of growth rate is in marketing area, remains second highest investment area of ADBL. Though total investment amount is increasing steadily, tourism sector has no investment since FY 062/63.

Table No. 4.18

Trend analysis of loan Collection for FY 057/58 to FY 063/64

Rs. in "000"

S.N	Purpose	056/57	057/58	058/59	059/60	060/61	061/62	062/63	% Growth
1.	Cereal & Cash Crops	1471455	1594719	1626930	1819676	1748745	1847746	1810548	23.05
2.	Marketing	1005990	1349894	1829263	2218121	2680841	3472460	4298041	327.24
3.	Agri-tools & Irrigation	703071	736000	802020	846706	686210	667505	585149	20.15
4.	Livestock	954367	1024762	1159120	1367918	1463051	1651715	1779750	84.48
5.	Agri-cottage Industry	1018322	1189964	1374889	1531321	1606177	1536424	1556582	82.86
6.	Bio Gas	106027	95965	95384	108130	89404	83834	77044	-27.34
7.	Land development & housing	17502	9060	10638	20538	7695	15020	11382	-34.97
8.	Horticulture	35633	39106	40020	49486	40684	46190	51930	44.74
9.	Go-down & cold storage	8657	16448	25658	37744	44104	29263	11728	35.47
10.	Tea & coffee	20330	142239	15937	25877	17730	27413	27813	36.81
11.	Non-agri loan	0	0	17658	134872	696774	923532	1631637	-
12	Tourism	0	0	0	12943	0	0	7829	-
	Total loan collection	**5341354**	**6198157**	**6997517**	**8173332**	**9081415**	**10301102**	**11849433**	**121.84**

Source: MIS Division

Above collection table shows there is incremental total loan collection trend. The highest collection ratio is on marketing followed by livestock and agro-cottage industry. Whereas, land development & housing has lowest collection rate.

Trend analysis of loan Outstanding for FY 057/58 to FY 063/64

Rs. In "000"

S.N	Purpose	056/57	057/58	058/59	059/60	060/61	061/62	062/63	% Growth
1.	Cereal & Cash Crops	2841358	3159894	3424856	3726689	3823565	3913996	3902936	37.36
2.	Marketing	1689970	2227317	2862119	3533371	3991532	4779619	5451825	222.60
3.	Agri-tools & Irrigation	2307786	2655783	2812471	2772365	2680896	2550883	2361492	2.33
4.	Livestock	2795888	3120914	3531911	3798031	3929584	4092568	4185559	49.70
5.	Agri-cottage Industry	2092259	2363585	2604143	3002434	3095088	3078466	3103300	48.32
6.	Bio Gas	287428	293427	275955	264672	240343	231041	193667	-32.62
7.	Land development & housing	57376	61659	63141	63105	61229	50434	47581	-17.07
8.	Horticulture	242168	239918	238061	236802	228751	217473	197452	-18.46
9.	Go-down & cold storage	152404	236194	281183	292529	310707	296368	323354	112.17
10.	Tea & coffee	424068	423701	505225	531465	558541	569107	564854	33.20
11.	Non-agri loan	0	0	74671	386381	758764	1393040	1854932	-
12	Tourism	0	0	0	7829	7829	0	0	-
	Total loan outstanding	**12890705**	**14782392**	**16673736**	**18615673**	**19686829**	**21172995**	**22186952**	**72.12**

Source: MIS Division

From the above table, incremental trend of total loan outstanding. Marketing has highest loan outstanding ratio followed by go-down & cold storage and agri-cottage industry. Bio gas has lowest outstanding ratio and tourism has no outstanding amount remaining.

4.2.3 Targeted and achieved loan disbursement and collection

Agricultural development bank determines target loan investment & collection for each and every year. Actual loan investment and collection occurs during the course ob business.

Table No. 4.20

Targeted and achieved loan disbursement

Rs. In "000"

F/Y	Loan disbursement			Loan collection		
	Targeted	Achieved	Ach. %	Targeted	Achieved	Ach. %
2056/57	6000000	7137719	118.96	8281429	5341354	64.50
2057/58	8017282	8089844	100.91	8466181	6198157	73.21
2058/59	9049139	8888861	98.22	7592162	6997517	92.17
2059/60	10288230	10115271	98.32	8832905	8173332	92.53
2060/61	10497738	10148569	96.67	9457687	9077415	95.98
2061/62	11272370	11795115	104.64	10306829	10308931	100.02
2062/63	13981420	12855543	91.95	11721164	11841604	101.28

Chart 4.17
Bar diagram of targeted loan disbursement and achieved loan disbursement

CHAPTER V
SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Summary

This chapter is a complete conclusion and suggestion package, which contains summary, conclusion of the findings and actionable plans. This would be meaningful to the top management of the bank to initiate and achieve the desire result. Summary gives the brief introduction to the entire chapter of the study and shows the actual facts of the present situation under the topic of the study. Conclusion of the findings is based on the consequences of the analysis of relevant data by using various financial and statistical tools.

Agriculture is the most important occupation in Nepal and it plays a vital roles in her economic development. Still 68% of total population depends on agriculture and agro-based industries. The sector alone contributes 38.80% of GDP, so agriculture plays a vital role in Nepalese economy. But the economic condition of the farmers who are dealing in the agriculture sector, is still under the poverty line. It is because of low productivity of land. The productivity of land can be increased by introducing new technology but majority of people engaged on this sector can not afford modern tools and techniques. To develop the agriculture sector, they must emphasized the financial facilities through different institutions.

Tenth plan and program is conducted as campaign and concluded to 31% poverty reduction. ADBL is a sole financial institution in the country executing its activities by three major windows namely Developing Financing, Commercial Banking and Small Farmers Development. Government has also determined fixed priority sector on agricultural such as chemical fertilizer, agric business etc through SFCLs, SACCOPs, and

NGOs/INGOs. Financial resources/support will be given rural micro finance development center to strengthen institution provision. RMDC will provide whole sale/refinancing credit to Gramin Bikas Bank and other DBN was introduced in 1968 by the agricultural development bank act 1967. The including the ADBN Act, 1967. In new with the BAFIO, ADBL has been incorporated as a public limited company on BL operates as a "A" category he first chapter deals with the meaning of bank, brief historical background of importance, limitation, research had gap between past and present research.

Financial institutions but the major portion of the rural/agriculture credit will be invested through ADBL and NRB supervise and monitor to rural and agricultural credit.

The second chapter, review of literature includes some work, analysis and discussion already made in the field of banks in various planning period and finally brief review of previous research works specially made in respect of disbursement and collection procedure as well as it tries to expose the disbursement and collection procedure of ADBL and research.

Chapter three, research methodology deals with research design, period covered, types and source of data collection procedure, method of analysis and analytical tools used.

Fourth chapter, data collection through various source have been presented. I mainly consists the analysis of various types of data regarding disbursement and collection as well as recovery rate of ADBL. There is also collection aspect of the bank analyzed y the help of primary data as well as secondary data.

5.2. Conclusion

The loan officer must be convinced that the customer has a well-defined purpose for requesting bank credit and a serious intention to repay. If the officer is not sure exactly why the customer is requesting a loan, the purpose must be clarified for the bank's satisfaction. Once the purpose is known, the loan officer must determine whether it is consistence with the bank current loan policy or not. This research is focused on agricultural lending and recovery in Nepalese context with the periphery of loan disbursement, collection and recovery situation of ADBL.

5.2.1 Conclusion obtained form secondary data

A. <u>Conclusion from purpose wise loan disbursement, collection and outstanding</u>.

Actual loan disbursement for the purpose of marketing, livestock, agro-cottage industry and non-agri loan has continuous increasing trend whereas disbursement for the purpose of cereal and cash crops, Bio gas industry, land development and housing, horticulture and cold storage has fluctuating trend of investment but, ADBL's actual investment for the purpose of agri-tools & irrigation and tea & coffee are in decreasing trend.

Similarly, actual loan collection of cereal and cash crops, marketing, livestock, agro-cottage industry, horticulture and non-agro loan has increasing trend. Loan collection for the purpose of agri-tools and irrigation, bio gas, land development and housing nd go-down & cold storage has decreasing trend whereas tea and coffee has fluctuating trend of collection. But the loan collection to disbursement of all above purpose has satisfactory level of collection than collection to outstanding portion. One of the worried sides of the study is having incremental trend of loan outstanding for all sampled purpose except agri-tools and irrigation, bio gas and horticulture.

Some effective action need be taken from the team management to reduce the incremental trend of pending over dues year upon year and bad debts of investment.

B. <u>Conclusion from term wise loan disbursement, collection and outstanding</u>

Short-term and medium term loan disbursement, collection and outstanding is in continuous increasing trend. Collection to disbursement ratio is in satisfactory level however, the incremental trend or low ratio of collection to outstanding is a worried side one.

Long-term actual loan disbursement is in decreasing trend whereas outstanding is in increasing trend which is another worried side for nation and bank as well. Long-term loan is use for industrial purpose and decreasing of long-term loan may cause of serious problem on development of industrial sector. Loan collection of long-term is in fluctuating trend.

Besides these, total loan investment, collection and outstanding of ADBL is in increasing trend. ADBL has followed the same path as before to achieve its core objective, rural agricultural development. From the overall data, higher volume of data has been investing in the agricultural sector in comparison with other sector h out the sampled fiscal year. Hence, it is proved that, ADBL has been promoting overall agricultural sector basically in rural side. Because of its significant support.

5.3 Recommendation

To make agricultural credit target oriented some recommendations are suggested as follows :

1) Political interference causes many problems in team management. So ADBL most neglect the direct political interference.

2) Before several years, Nepal was facing the problem of insurgency which resulted to shift the branches form rural areas to the urban areas but after change of political scenario of the country Nepal is a heading towards the

peace keeping process. More concisely Nepal is currently in transition stage. This is the perfect period for resifting those rural branches back to the rural areas.

3) Illiteracy, ignorance and misuse of loan are the basic problem of Nepalese so ADBL should provide effective training for those staff who directly deals with farmers.

4) Most of the farmers are poor and landless, considering the fact ADBL should revise its lending policy and procedure.

5) Loan sanction procedure should be transparent and easier.

6) To reduce delay payment of interest and principle amount, interest rate should be revised. ADBL should also decrease its service charge to motivate the farmers for timely payment.

7) Poor recovery is the cause of week supervision, high interest and other charges laid by the bank, poor liquidity of the borrowers. So it is recommended that the recovery policy and procedure must be exercised strictly.

8) Bank must examine the borrowers past repayment records and corrective action must be taken immediately to restrict those borrowers who are able but not repay their due loans. In the other hand, borrowers who are really unable to repay their dues, repayment schedule must be rearranged after scrutinizing the exact cause of inability.

9) Loan collection has been in poor condition as compare to loan disbursement. Loan outstanding amount and loan disbursement amount is higher than loan collection. This type of condition might be extremely vital for the bank in insuring period.

10) ADBL should invest for the conservation of natural resources like forest, investing in bio gas and power development and it should give maximum amount of interest subsidy.

11) Loan disbursement only can't change the life standard of the rural poor. So ADBL should provide technical facility alone with the loan disbursement.

12) Professionals should be given opportunity to manage the banks and introduce effective management system to run the organization independently.

13) Political and other pressure should be minimized. The borrower selection criteria should implement strictly and the needy should get priority in getting loans.

14) Unnecessary obstacles an disturbance of employee union should be minimized.

15) Management team and individual employ should not be political victim in discharging their duties and responsibilities.

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Appendix - 1

Let, X = Loan Disbursement

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	17.8	14.7	-1.1571429	1.33898	-2.32857	5.422245	2.69449
2058/59	19.1	15.9	0.14285714	0.020408	-1.12857	1.273673	-0.16122
2059/60	18.9	16.3	-0.0571429	0.003265	-0.72857	0.530816	0.041633
2060/61	21.2	18.2	2.24285714	5.030408	1.171429	1.372245	2.627347
2061/62	18.4	17.5	-0.5571429	0.310408	0.471429	0.222245	-0.26265
2062/63	19.4	18.5	0.44285714	0.196122	1.471429	2.165102	0.651633
2063/64	17.9	18.1	-1.0571429	1.117551	1.071429	1.147959	-1.13265
	132.7	119.2		8.017143		12.13429	4.458571

$N = 7$

$$\overline{X} = \frac{\sum X}{N} = 18.95714$$

$$\overline{Y} = \frac{\sum Y}{N} = 17.02857$$

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = 0.47$$

$$r^2 = 0.22$$

$$t^* = \frac{r}{\sqrt{\frac{1-r^2}{n-2}}} = 1.21$$

Appendix - 2

Let, X = Loan Outstanding

Y = Loan Collection

<div align="right">Rs. in "000"</div>

Fiscal Year	X(in lakh)	Y(in lakh)	$x = (X - \overline{X})$	x^2	$y=(Y - \overline{Y})$	y^2	xy
2057/58	28.4	14.7	-7.0028571	49.04001	-2.32857	5.422245	16.30665
2058/59	31.6	15.9	-3.8028571	14.46172	-1.12857	1.273673	4.291796
2059/60	34.2	16.3	-1.2028571	1.446865	-0.72857	0.530816	0.876367
2060/61	37.3	18.2	1.89714286	3.599151	1.171429	1.372245	2.222367
2061/62	38.2	17.5	2.79714286	7.824008	0.471429	0.222245	1.318653
2062/63	39.1	18.5	3.69714286	13.66887	1.471429	2.165102	5.440082
2063/64	39.02	18.1	3.61714286	13.08372	1.071429	1.147959	3.87551
	247.82	119.2		103.1243		12.13429	34.33143

$$N = 7$$

$$\overline{X} = \frac{\sum X}{N} = 35.40286$$

$$\overline{Y} = \frac{\sum Y}{N} = 24.02143$$

$$r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}} = 0.97$$

$$r^2 = 0.94$$

$$t^* = \frac{r}{\sqrt{\frac{1-r^2}{n-2}}} = 8.82$$

Appendix - 3

Let, X = Loan Disbursement

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	14.6	10.05	-15.471429	239.3651	-13.9714	195.2008	216.158
2058/59	18.9	13.4	-11.171429	124.8008	-10.6214	112.8147	118.6565
2059/60	24.6	18.2	-5.4714286	29.93653	-5.82143	33.88903	31.85153
2060/61	28.8	22.1	-1.2714286	1.616531	-1.92143	3.691888	2.442959
2061/62	31.3	26.8	1.22857143	1.509388	2.778571	7.720459	3.413673
2062/63	42.6	34.7	12.5285714	156.9651	10.67857	114.0319	133.7872
2063/64	49.7	42.9	19.6285714	385.2808	18.87857	356.4005	370.5594
	210.5	168.15		939.4743		823.7493	876.8693

$\overline{X} = 30.07143$ $\qquad$ $\overline{Y} = 24.02143$ $\qquad$ r = 0.997 $\qquad$ $r^2 = 0.980$ $\qquad$ $t^* = 28.49$

Appendix - 4

Let, X = Loan Outstanding

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	16.8	10.05	-18.2	331.24	-13.9714	195.2008	254.28
2058/59	22.2	13.4	-12.8	163.84	-10.6214	112.8147	135.9543
2059/60	28.6	18.2	-6.4	40.96	-5.82143	33.88903	37.25714
2060/61	35.3	22.1	0.3	0.09	-1.92143	3.691888	-0.57643
2061/62	39.9	26.8	4.9	24.01	2.778571	7.720459	13.615
2062/63	47.7	34.7	12.7	161.29	10.67857	114.0319	135.6179
2063/64	54.5	42.9	19.5	380.25	18.87857	356.4005	368.1321
	245	168.15		1101.68		823.7493	944.28

$\overline{X} = 35$ $\qquad$ $\overline{Y} = 24.02143$ $\qquad$ r = 1 $\qquad$ $r^2 = 1$

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Appendix - 5

Let, X = Loan Disbursement

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	10.4	7.03	2.70571429	7.32089	-0.10571	0.011176	-0.28603
2058/59	10.8	7.3	3.10571429	9.645461	0.164286	0.02699	0.510224
2059/60	9.5	8.02	1.80571429	3.260604	0.884286	0.781961	1.596767
2060/61	8.06	8.4	0.36571429	0.133747	1.264286	1.598418	0.462367
2061/62	5.9	6.8	-1.7942857	3.219461	-0.33571	0.112704	0.602367
2062/63	5.3	6.6	-2.3942857	5.732604	-0.53571	0.28699	1.282653
2063/64	3.9	5.8	-3.7942857	14.3966	-1.33571	1.784133	5.068082
	53.86	49.95		43.70937		4.602371	9.236429

$\overline{X} = 7.69$ $\overline{Y} = 7.13$ r = 0.64 $r^2 = 0.41$ $t^* = 1.88$

Appendix - 6

Let, X = Loan Outstanding

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	23.07	7.03	-2.8328571	8.02508	-0.10571	0.011175	0.299473
2058/59	26.55	7.3	0.64714286	0.418794	0.164286	0.02699	0.106317
2059/60	28.1	8.02	2.19714286	4.827437	0.884286	0.781962	1.942903
2060/61	27.7	8.4	1.79714286	3.229722	1.264286	1.598419	2.272103
2061/62	26.8	6.8	0.89714286	0.804865	-0.33571	0.112704	-0.30118
2062/63	25.5	6.6	-0.4028571	0.162294	-0.53571	0.286989	0.215816
2063/64	23.6	5.8	-2.3028571	5.303151	-1.33571	1.784132	3.075959
	181.32	49.95		22.77134		4.602371	7.611386

$\overline{X} = 25.9$ $\overline{Y} = 7.13$ r = 0.76 $r^2 = 0.58$ $t^* = 2.62$

Appendix - 7

Let, X = Loan Disbursement

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	12.08	9.5	-3.66	13.3956	-3.87143	14.98796	14.16943
2058/59	13.4	10.2	-2.34	5.4756	-3.17143	10.05796	7.421143
2059/60	15.7	11.5	-0.04	0.0016	-1.87143	3.502245	0.074857
2060/61	16.3	13.6	0.56	0.3136	0.228571	0.052245	0.128
2061/62	15.9	14.6	0.16	0.0256	1.228571	1.509388	0.196571
2062/63	18.1	16.5	2.36	5.5696	3.128571	9.787959	7.383429
2063/64	18.7	17.7	2.96	8.7616	4.328571	18.73653	12.81257
	110.18	93.6		33.5432		58.63429	42.186

$\overline{X} = 15.74$ $\overline{Y} = 13.37$ r = 0.97 $r^2 = 0.94$ $t^* = 8.82$

Appendix - 8

Let, X = Loan Outstanding

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	27.9	9.5	-8.4142857	70.8002	-3.87143	14.98796	32.57531
2058/59	31.2	10.2	-5.1142857	26.15592	-3.17143	10.05796	16.21959
2059/60	35.3	11.5	-1.0142857	1.028776	-1.87143	3.502245	1.898163
2060/61	37.9	13.6	1.58571429	2.51449	0.228571	0.052245	0.362449
2061/62	39.2	14.6	2.88571429	8.327347	1.228571	1.509388	3.545306
2062/63	40.9	16.5	4.58571429	21.02878	3.128571	9.787959	14.34673
2063/64	41.8	17.7	5.48571429	30.09306	4.328571	18.73653	23.74531
	254.2	93.6		159.9486		58.63429	92.69286

$\overline{X} = 36.31$ $\overline{Y} = 13.37$ r = 0.96 $r^2 = 0.92$ $t^* = 7.38$

Appendix - 9

Let, X = Loan Disbursement

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	13.3	10.1	-2.5571429	6.53898	-3.86571	14.94375	9.885184
2058/59	14.6	11.8	-1.2571429	1.580408	-2.16571	4.690318	2.722612
2059/60	16.1	13.7	0.24285714	0.05898	-0.26571	0.070604	-0.06453
2060/61	19.2	15.3	3.34285714	11.17469	1.334286	1.780318	4.460327
2061/62	16.9	16.06	1.04285714	1.087551	2.094286	4.386033	2.184041
2062/63	15.1	15.3	-0.7571429	0.573265	1.334286	1.780318	-1.01024
2063/64	15.8	15.5	-0.0571429	0.003265	1.534286	2.354033	-0.08767
	111	97.76		21.01714		30.00537	18.08971

$\overline{X} = 15.85$ $\overline{Y} = 13.96$ r = 0.74 $r^2 = 0.55$ $t^* = 2.47$

Appendix - 10

Let, X = Loan Outstanding

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	20.9	10.1	-6.6985714	44.87086	-3.86571	14.94375	25.89476
2058/59	23.6	11.8	-3.9985714	15.98857	-2.16571	4.690318	8.659763
2059/60	26.04	13.7	-1.5585714	2.429145	-0.26571	0.070604	0.414135
2060/61	30.02	15.3	2.42142857	5.863316	1.334286	1.780318	3.230878
2061/62	30.9	16.06	3.30142857	10.89943	2.094286	4.386033	6.914135
2062/63	30.7	15.3	3.10142857	9.618859	1.334286	1.780318	4.138192
2063/64	31.03	15.5	3.43142857	11.7747	1.534286	2.354033	5.264792
	193.19	97.76		101.4449		30.00537	54.51666

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$\overline{X} = 27.59$ $\overline{Y} = 13.96$ r = 0.99 $r^2 = 0.98$ $t^* = 16.50$

Appendix - 11

Let, X = Loan Disbursement

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	0.9	1.06	0.17	0.0289	0.14	0.0196	0.0238
2058/59	1.01	0.9	0.28	0.0784	-0.02	0.0004	-0.0056
2059/60	0.7	0.9	-0.03	0.0009	-0.02	0.0004	0.0006
2060/61	0.9	1.08	0.17	0.0289	0.16	0.0256	0.0272
2061/62	0.6	0.9	-0.13	0.0169	-0.02	0.0004	0.0026
2062/63	0.7	0.83	-0.03	0.0009	-0.09	0.0081	0.0027
2063/64	0.3	0.77	-0.43	0.1849	-0.15	0.0225	0.0645
	5.11	6.44		0.3398		0.077	0.1158

$\overline{X} = 0.73$ $\overline{Y} = 0.92$ r = 0.94 $r^2 = 0.88$ $t^* = 6.27$

Appendix - 12

Let, X = Loan Outstanding

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	2.87	1.06	0.32714286	0.107022	0.14	0.0196	0.0458
2058/59	2.93	0.9	0.38714286	0.14988	-0.02	0.0004	-0.00774
2059/60	2.75	0.9	0.20714286	0.042908	-0.02	0.0004	-0.00414
2060/61	2.64	1.08	0.09714286	0.009437	0.16	0.0256	0.015543
2061/62	2.4	0.9	-0.1428571	0.020408	-0.02	0.0004	0.002857
2062/63	2.31	0.83	-0.2328571	0.054222	-0.09	0.0081	0.020957
2063/64	1.9	0.77	-0.6428571	0.413265	-0.15	0.0225	0.096429
	17.8	6.44		0.797143		0.077	0.1697

$\overline{X} = 2.54$ $\overline{Y} = 0.92$ $r = 0.87$ $r^2 = 0.76$ $t^* = 3.95$

Appendix - 13

Let, X = Loan Disbursement

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	$x = (X - \overline{X})$	x^2	$y=(Y - \overline{Y})$	y^2	xy
2057/58	0.1	0.17	-0.0028571	8.16E-06	0.041429	0.001716	-0.00012
2058/59	0.13	0.09	0.02714286	0.000737	-0.03857	0.001488	-0.00105
2059/60	0.12	0.1	0.01714286	0.000294	-0.02857	0.000816	-0.00049
2060/61	0.2	0.2	0.09714286	0.009437	0.071429	0.005102	0.006939
2061/62	0.05	0.08	-0.0528571	0.002794	-0.04857	0.002359	0.002567
2062/63	0.04	0.15	-0.0628571	0.003951	0.021429	0.000459	-0.00135
2063/64	0.08	0.11	-0.0228571	0.000522	-0.01857	0.000345	0.000424
	0.72	0.9		0.017743		0.012286	0.006929

$\overline{X} = 0.10$ $\overline{Y} = 0.128$ $r = 1$ $r^2 = 1$

Appendix - 14

Let, X = Loan Outstanding

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	$x = (X - \overline{X})$	x^2	$y=(Y - \overline{Y})$	y^2	xy
2057/58	0.57	0.17	0.00142857	2.04E-06	0.041429	0.001716	5.92E-05
2058/59	0.6	0.09	0.03142857	0.000988	-0.03857	0.001488	-0.00121
2059/60	0.6	0.1	0.03142857	0.000988	-0.02857	0.000816	-0.0009
2060/61	0.63	0.2	0.06142857	0.003773	0.071429	0.005102	0.004388
2061/62	0.61	0.08	0.04142857	0.001716	-0.04857	0.002359	-0.00201
2062/63	0.5	0.15	-0.0685714	0.004702	0.021429	0.000459	-0.00147
2063/64	0.47	0.11	-0.0985714	0.009716	-0.01857	0.000345	0.001831
	3.98	0.9		0.021886		0.012286	0.000686

$\overline{X} = 0.56$ $\overline{Y} = 0.128$ r = 0.45 $r^2 = 0.20$ $t^* = 1.13$

Appendix - 15

Let, X = Loan Disbursement

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	0.53	0.35	0.14142857	0.020002	-0.08143	0.006631	-0.01152
2058/59	0.36	0.39	-0.0285714	0.000816	-0.04143	0.001716	0.001184
2059/60	0.38	0.4	-0.0085714	7.35E-05	-0.03143	0.000988	0.000269
2060/61	0.48	0.49	0.09142857	0.008359	0.058571	0.003431	0.005355
2061/62	0.32	0.41	-0.0685714	0.004702	-0.02143	0.000459	0.001469
2062/63	0.34	0.46	-0.0485714	0.002359	0.028571	0.000816	-0.00139
2063/64	0.31	0.52	-0.0785714	0.006173	0.088571	0.007845	-0.00696
	2.72	3.02		0.042486		0.021886	-0.01159

$\overline{X} = 0.38$ $\overline{Y} = 0.43$ r = 0.17 $r^2 = 0.03$ $t^* = 0.39$

Appendix - 16

Let, X = Loan Outstanding

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	2.4	0.35	0.12	0.0144	-0.08143	0.006631	-0.00977
2058/59	2.39	0.39	0.11	0.0121	-0.04143	0.001716	-0.00456
2059/60	2.38	0.4	0.1	0.01	-0.03143	0.000988	-0.00314
2060/61	2.37	0.49	0.09	0.0081	0.058571	0.003431	0.005271
2061/62	2.28	0.41	0	0	-0.02143	0.000459	0
2062/63	2.17	0.46	-0.11	0.0121	0.028571	0.000816	-0.00314
2063/64	1.97	0.52	-0.31	0.0961	0.088571	0.007845	-0.02746
	15.96	3.02		0.1528		0.021886	-0.0428

$\overline{X} = 2.28$ $\overline{Y} = 0.43$ r = -0.89 $r^2 = 0.79$ $t^* = 4.45$

Appendix - 17

Let, X = Loan Disbursement

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	0.44	0.08	-0.0988571	0.009773	-0.16714	0.027937	0.016523
2058/59	1.002	0.16	0.46314286	0.214501	-0.08714	0.007594	-0.04036
2059/60	0.7	0.26	0.16114286	0.025967	0.012857	0.000165	0.002072
2060/61	0.49	0.38	-0.0488571	0.002387	0.132857	0.017651	-0.00649
2061/62	0.62	0.44	0.08114286	0.006584	0.192857	0.037194	0.015649
2062/63	0.14	0.29	-0.3988571	0.159087	0.042857	0.001837	-0.01709
2063/64	0.38	0.12	-0.1588571	0.025236	-0.12714	0.016165	0.020198
	3.772	1.73		0.443535		0.108543	-0.0095

$\overline{X} = 0.53$ $\overline{Y} = 0.247$ r = -0.03 $r^2 = 0.001$ $t^* = 0.07$

Appendix - 18

Let, X = Loan Outstanding

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	1.5	0.08	-1.1885714	1.412702	-0.16714	0.027937	0.198661
2058/59	2.36	0.16	-0.3285714	0.107959	-0.08714	0.007594	0.028633
2059/60	2.8	0.26	0.11142857	0.012416	0.012857	0.000165	0.001433
2060/61	2.9	0.38	0.21142857	0.044702	0.132857	0.017651	0.02809
2061/62	3.1	0.44	0.41142857	0.169273	0.192857	0.037194	0.079347
2062/63	2.96	0.29	0.27142857	0.073673	0.042857	0.001837	0.011633
2063/64	3.2	0.12	0.51142857	0.261559	-0.12714	0.016165	-0.06502
	18.82	1.73		2.082286		0.108543	0.282771

$\overline{X} = 2.688$ $\overline{Y} = 0.247$ r = 0.57 $r^2 = 0.32$ $t^* = 1.54$

Appendix - 19

Let, X = Loan Disbursement

Y = Loan Collection

Rs. in "000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	1.1	0.2	0.38714286	0.14988	-0.19286	0.037194	-0.07466
2058/59	1.4	1.4	0.68714286	0.472165	1.007143	1.014337	0.692051
2059/60	0.97	0.16	0.25714286	0.066122	-0.23286	0.054222	-0.05988
2060/61	0.52	0.26	-0.1928571	0.037194	-0.13286	0.017651	0.025622
2061/62	0.4	0.18	-0.3128571	0.09788	-0.21286	0.045308	0.066594
2062/63	0.37	0.27	-0.3428571	0.117551	-0.12286	0.015094	0.042122
2063/64	0.23	0.28	-0.4828571	0.233151	-0.11286	0.012737	0.054494
	4.99	2.75		1.173943		1.196543	0.746343

$\overline{X} = 0.71$ $\overline{Y} = 0.39$ r = 0.63 $r^2 = 0.40$ $t^* = 1.8$

Appendix - 20

Let, X = Loan Outstanding

Y = Loan Collection

Rs. in

"000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	4.2	0.2	-0.8957143	0.802304	-0.19286	0.037194	0.172745
2058/59	4.2	1.4	-0.8957143	0.802304	1.007143	1.014337	-0.90211
2059/60	5.05	0.16	-0.0457143	0.00209	-0.23286	0.054222	0.010645
2060/61	5.31	0.26	0.21428571	0.045918	-0.13286	0.017651	-0.02847
2061/62	5.58	0.18	0.48428571	0.234533	-0.21286	0.045308	-0.10308
2062/63	5.69	0.27	0.59428571	0.353176	-0.12286	0.015094	-0.07301
2063/64	5.64	0.28	0.54428571	0.296247	-0.11286	0.012737	-0.06143
	35.67	2.75		2.536571		1.196543	-0.98471

$\overline{X} = 5.09$ $\overline{Y} = 0.39$ r = -0.57 $r^2 = 0.32$ $t^* = 1.54$

Appendix - 21

Let, X = Loan Disbursement

Y = Loan Collection

Rs. in

"000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x^2	y=(Y - $\overline{Y}$)	y^2	xy
2057/58	0	0	-7.4742857	55.86495	-4.85286	23.55022	36.27164
2058/59	0	0	-7.4742857	55.86495	-4.85286	23.55022	36.27164
2059/60	0.92	0.18	-6.5542857	42.95866	-4.67286	21.83559	30.62724
2060/61	4.4	1.3	-3.0742857	9.451233	-3.55286	12.62279	10.9225
2061/62	10.6	6.96	3.12571429	9.77009	2.107143	4.440051	6.586327
2062/63	15.5	9.23	8.02571429	64.41209	4.377143	19.15938	35.1297
2063/64	20.9	16.3	13.4257143	180.2498	11.44714	131.0371	153.6861
	52.32	33.97		418.5718		236.1953	309.4951

$\overline{X} = 7.47$ $\overline{Y} = 4.85$ r = -0.98 $r^2 = 0.96$ $t^* = 10.89$

Appendix - 22

Let, X = Loan Outstanding

Y = Loan Collection

Rs. in

"000"

Fiscal Year	X(in lakh)	Y(in lakh)	$x = (X - \overline{X})$	x^2	$y=(Y - \overline{Y})$	y^2	xy
2057/58	0	0	-6.3685714	40.5587	-4.85286	23.55022	30.90577
2058/59	0	0	-6.3685714	40.5587	-4.85286	23.55022	30.90577
2059/60	0.74	0.18	-5.6285714	31.68082	-4.67286	21.83559	26.30151
2060/61	3.86	1.3	-2.5085714	6.292931	-3.55286	12.62279	8.912596
2061/62	7.58	6.96	1.21142857	1.467559	2.107143	4.440051	2.552653
2062/63	13.9	9.23	7.53142857	56.72242	4.377143	19.15938	32.96614
2063/64	18.5	16.3	12.1314286	147.1716	11.44714	131.0371	138.8702
	44.58	33.97		324.4527		236.1953	271.4146

$\overline{X} = 6.36$ $\overline{Y} = 4.85$ r = 0.98 $r^2 = 0.96$ $t^* = 10.89$

Appendix - 23

Let, X = Loan Disbursement

Y = Loan Collection

Rs. in

"000"

Fiscal Year	X(in lakh)	Y(in lakh)	$x = (X - \overline{X})$	x^2	$y=(Y - \overline{Y})$	y^2	xy
2057/58	71.37	53.4	-27.24	742.0176	-28.3629	804.4517	772.6042
2058/59	80.89	61.98	-17.72	313.9984	-19.7829	391.3614	350.5522
2059/60	88.88	69.97	-9.73	94.6729	-11.7929	139.0715	114.7445
2060/61	101.15	81.73	2.54	6.4516	-0.03286	0.00108	-0.08346
2061/62	101.48	90.77	2.87	8.2369	9.007143	81.12862	25.8505
2062/63	117.95	103.08	19.34	374.0356	21.31714	454.4206	412.2735
2063/64	128.55	111.41	29.94	896.4036	29.64714	878.9531	887.6355
	690.27	572.34		2435.817		2749.388	2563.577

$$\overline{X} = 98.61 \qquad \overline{Y} = 81.76 \qquad r = 0.99 \qquad r^2 = 0.98 \qquad t^* = 16.5$$

Appendix - 24

Let, X = Loan Outstanding

Y = Loan Collection

Rs. in

"000"

Fiscal Year	X(in lakh)	Y(in lakh)	x = (X - $\overline{X}$)	x²	y=(Y - $\overline{Y}$)	y²	xy
2057/58	128.9	53.4	-51.071429	2608.291	-28.3629	804.4517	1448.532
2058/59	147.8	61.98	-32.171429	1035.001	-19.7829	391.3614	636.4428
2059/60	166.7	69.97	-13.271429	176.1308	-11.7929	139.0715	156.5081
2060/61	186.1	81.73	6.12857143	37.55939	-0.03286	0.00108	-0.20137
2061/62	196.8	90.77	16.8285714	283.2008	9.007143	81.12862	151.5773
2062/63	211.7	103.08	31.7285714	1006.702	21.31714	454.4206	676.3625
2063/64	221.8	111.41	41.8285714	1749.629	29.64714	878.9531	1240.098
	1259.8	572.34		6896.514		2749.388	4309.319

$$\overline{X} = 179.97 \qquad \overline{Y} = 81.76 \qquad r = 0.98 \qquad r^2 = 0.96 \qquad t^* = 10.89$$

Interest Rate of ADBL

S.N	Purpose	Individual
	General rate of Interest	Rate of interest of monthly payment
1.		Tea / Coffee
		a) Tea coffee with nursery

		I) Before 2058/3/30 and remaining amount onwards 2509/7/1	10.00%	8.50%
		II) Investment onward 2058/4/1	12.00%	10.80%
		b) Tea / Coffee processing	13.00%	11.20%
2.	Land development and housing		12.00%	10.20%
3.	Cold storage		12.00%	10.20%
4.	Godown		13.00%	11.50%
5.	Horticulture		14.00%	12.60%
	a) Horticulture (only in Karnlai Zone)		10.00%	8.50%
	b) Horticulture (except Karnali Zone)		12.00%	10.20%
6.	Cereal crops		15.00%	10.20%
7.	Cash crops/special crops/vegetable farming		14.00%	11.90%
8.	Irrigation		15.00%	12.75%
9.	Potato/vegetable/mushroom/herbs/kasher (only in Karnali Zone)		10.00%	8.50%
10.	Bio-gas and energy		15.00%	12.75%
11.	Working capital (all purpose except tea/coffee)		15.00%	12.75%
12.	Agricultural business	a) Poultry/fishery	15.00%	12.75%
		b) Animals/birds/others	16.00%	13.60%
		c) Bee keeping (apiculture)	15.00%	12.75%
13.	Marketing	a) Seeds/fertilizer/pesticides	15.00%	12.75%

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		b) Agricultural production/other	16.00 %	13.60%
14.	Farm mechanization		16.00%	13.60%
15.	Non-agricultural sector		16.00%	13.60%

Source: Loan Division of ADBL