

**A STUDY OF LOAN MANAGEMENT OF AGRICULTURAL
DEVELOPMENT BANK LIMITED**

Submitted by

Bishnu Prasad Marahatta

Balkumari College

T.U. Registration No. 7-1-239-230-99

Exam Roll No. : (MBS II) : 746/064

A Thesis Submitted to :

Office of the Dean

Faculty of Management

Tribhuvan University

**In the partial fulfillment of the requirement for the degree of Master's in
Business Studies (MBS)**

**Narayangarh, Chitwan
May 2010**

**A STUDY OF LOAND MANAGEMENT OF AGRICULTURAL
DEVELOPMENT BANK LIMITED**

Submitted by

Bishnu Prasad Marahatta

Balkumari College

T.U. Registration No. 7-1-239-230-99

Exam Roll No. : (MBS II) : 746/064

A Thesis Submitted to :

Office of the Dean

Faculty of Management

Tribhuvan University

**In the partial fulfillment of the requirement for the degree of Master's in
Business Studies (MBS)**

**Narayangarh, Chitwan
May 2010**

DECLARATION

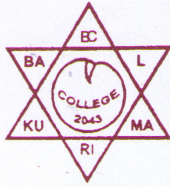
I hereby declare that the work reported in this thesis entitled "**A Study of Loan Management of Agricultural Development Bank Ltd.**" Submitted to Balkumari College; Faculty of Management, Tribhuvan University, is my original work in the form of Partial fulfillment of the requirement for the master's degree in business studies under the supervision of **Guna Raj Chhetri**, Lecturer of Balkumari College.

Date: 5th April 2010

.....

Researcher

Registration No. 7-1-239-230-99



Tribhuvan University
Balkumari College

Narayangarh, Chitwan, Nepal



Despated No. :

Date :

RECOMMENDATION

This is to certify that the thesis

Submitted by:
Bishnu Prasad Marahatta

Entitled
**A Study of Loan Management of Agricultural
Development Bank Limited**

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

Mr. Gunaraj Chhetri
Thesis Advisor

Mr. Bharat Khanal
Program Incharge, MBS

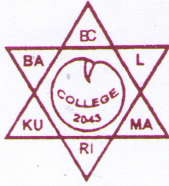
Mr. Babu Ram Panthi
Chairman, Research Committee

Mr. Chiranjibi Shrestha
Principal

Date:

BKC/LP/CADM/01

Telephone: 056-521842, 524842, 526527 Fax: 056-524700 Email: info@balkumaricollege.edu.np
website: www.balkumaricollege.edu.np



Tribhuvan University
Balkumari College

Narayangarh, Chitwan, Nepal



Despated No. :

Date :

VIVA-VOCE SHEET

We have conducted the Viva-Voce Examination of the

Thesis presented by

Bishnu Prasad Marahatta

Entitled

**A Study of Loan Management of Agricultural
Development Bank Limited**

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

Master Degree in Business Studies (MBS)

VIVA-VOCE COMMITTEE

Chairperson, Research Committee

Member (Thesis Advisor):

Member (External Expert):

Date:-

BKC/LP/CADM/01

Telephone: 056-521842, 524842, 526527 Fax: 056-524700 Email: info@balkumaricollege.edu.np

website: www.balkumaricollege.edu.np

ACKNOWLEDGEMENT

This research has not been completed by my sole effort only. Many helping hands made contributions in different ways to bring out it in this shape.

Firstly, I would like to extend my sincere gratitude to my thesis supervisor Mr. Guna Raj Chhetri, Lecturer of Balkumari College, T.U. for his valuable guidance, suggestions, timely supervisor and kind treatment as well as co-operation in completing thesis work. Without his valuable suggestion and time, I would not have been able to complete it in this form. I would like to thanks to Mr. Babu Ram Panthi, who is chairman of Research Committee and to Mr. Bharat Khanal who is Incharge of MBS programme of Balkumari College for their support and suggestion.

I would like to extend my gratefulness to the Professors and Lecturers of Balkumari College, Staffs of Library and Administration of Balkumari College and all my colleagues for their support and help in topic selection and preparation of this whole study.

I would like to extend my appreciation to the staffs of Agricultural Development Bank Limited for their kind co-operation in furnishing lot of valuable information and data.

Finally, I would like to extend my thanks to my family members, friends for their support, cooperation and encouragement. I would also like to thanks Mr. Chiran Kandel of Zenith Computer, Parsa for excellent computer setting and printing while preparing this dissertation.

Bishnu Prasad Marahatta

Balkumari College

TABLE OF CONTENTS

Page No.

Recommendation	
Viva-Voce Sheet	
Acknowledgement	
Table of Contents	
List of Table	
List of Figures	
List of Appendices	
Abbreviation	

CHAPTER ONE	1-20
INTRODUCTION	1
1.1 Introduction	1
1.1.1 Historical Background	1
1.1.2 Focus of the Study	3
1.1.3 Statement of the Study	4
1.1.4 Objectives of the Study	5
1.1.5 Significance of the Study	5
1.1.6 Limitation of the Study	6
1.1.7 Organization of the Study	6
1.2 Theoretical Framework	7
1.2.1 Loan Disbursement	7
1.2.1.1. General Background	7
1.2.1.2 Credit Policy of a Bank	8
1.2.1.3 Establishing of Return Loan Policy	10
1.2.1.4 Steps In Lending Process	11
1.2.1.5 Is the borrower Creditworthy?	12
1.2.1.6 Components of a Good Loan Application	12
1.2.1.7 Lending Documentation	12
1.2.1.8 Loan Approval Process	13
1.2.1.9 Lending Conditions	15
1.2.2 Loan Collection	16
1.2.2.1 General Background	16
1.2.2.2 Collection Procedure (Payment of Debt and Interest	17

CHAPTER TWO		21-56
	Review of Literature	
2.1	An Introduction to Agricultural Development Bank Limited (ADBL)	21
2.1.1	Background	21
2.1.2	Objective of ADBL	22
2.1.3	Main Functions of the ADBL	23
2.1.4	Organization and Management of the ADBL	24
2.1.5	Operational Performance	25
2.2	Major Program of ADBL	25
2.2.1	Development Financing	25
2.2.2	Commercial Banking Program	26
2.2.3	Reform Program	27
2.3	Poverty Reduction Program	30
2.3.1	Small Farmers Development Program(SFDP)	30
2.3.2	Small Farmers Co-operative Ltd. (SFCL)	32
2.3.3	Sana Kisan Bikas Bank Limited(SKBBL)	33
2.3.4	Micro Finance Development Program	34
2.4	Lending and Recovery Policy and Procedure of ADBL	35
2.4.1	Lending Policy and Procedure	35
2.4.2	Eligible Borrowers of ADBL	36
2.4.3	Loan Limits	36
2.4.4	Interest Rate	37
2.4.5	Necessary Documents While Receiving Loan	39
2.4.6	Ability to take Loan	39
2.4.7	Provision for Collateral	39
2.4.8	Loan Repayment Period	40
2.4.9	Facilities Received From the Bank	41
2.5	Recovery Policies and Procedure :	41
2.5.1	Objectives of Loan Recovery Manual 1993	42
2.5.2	Authority of Bank, If Breaking the Agreement	43
2.5.3	Provision for Interest, Penalty and Rebate	44
2.5.4	Provision for the Memorandum Letter	44

2.5.5.	Punishment Stage for Recovery	45
2.5.6	Correction of Payment Period	45
2.5.7	Publication of Borrowers Name in Magazines	46
2.5.8	Provision for Auction of Collateral	46
2.5.9	Doubtful Loan	47
2.5.10	Remission of Loan	48
2.5.11	Provision For Black List	48
2.5.12	Procedure of Recovery	49
2.6	Review of the Related Studies	51
CHAPTER THREE		57-65
	Research Methodology	57
3.1	General Introduction	57
3.2	Research Design	57
3.3	Period Covered	58
3.4	Nature and Sources of Data	58
3.4.1	Primary Data	58
3.4.2	Secondary Data	58
3.5	Research Variables	61
3.6	Tools Used in Research	61
3.7	Population and Sample Size	65
3.8	Presentation and Analysis of Data	65
CHAPTER FOUR		66-93
	Data Presentation and Analysis	66
4.1	General Introduction	66
4.2	Analysis of Secondary Data	67
4.2.1	Trend Analysis of Loan Investment for Fiscal Year 2059/60 to 2063/64	67
4.2.2	Trend Analysis of Loan Collection for Fiscal Year 2059/60 to 2063/64	68

4.2.3	Trend Analysis of Loan Outstanding for Fiscal Year 2059/60 to 2063/64	69
4.2.4	Trend Analysis of Deposit Mix for Fiscal Year 2059/60 to 2063/64	70
4.2.5	Trend Analysis of Loan Investment, Collection and Outstanding for Fiscal Year 2059/60 to 2063/64 in Commercial Banking	71
4.2.6	Trend Analysis of Interest Collection for Fiscal Year 2059/60 to 2063/64	72
4.2.7	Trend Analysis of Repayment Rate for Fiscal Year 2059/60 to 2063/64	73
4.2.8	Term wise Loan Disbursement	74
4.2.9	Term wise Loan Collection	75
4.2.10	Term wise Loan Outstanding	76
4.2.11	Development Region wise Loan Disbursement	76
4.2.12	Development Region wise Loan Collection	77
4.2.13	Development Region wise Loan Outstanding	78
4.2.14	Total Loan Disbursement Collection and Outstanding for Fiscal Year 2059/60 to 2063/64	83
4.3	Analysis of Primary Data	85
4.4	Major Findings	91
4.4.1	Findings from Loan Disbursement	91
4.4.2	Findings from Loan Collection	91
4.4.3	Findings from Loan Outstanding	92
4.4.4	Findings from Loan Deposit Mix	92
4.4.5	Findings from Primary Data	92

CHAPTER FIVE	94-102
Summary Recommendation and Conclusion	94
5.1 Summary	94
5.2 Recommendation	95
5.3 Conclusion	98
BIBLIOGRAPHY	99
APPENDIX	

LIST OF TABLES

Table No.		Page No.
1.1	Calculation of Interest	19
2.1	Number of Employees of ADBL	25
2.2	Existing Annual Interest Rate of ADBL	37
2.3	Provision for Collateral	40
2.4	Loan Repayment Period	40
4.1	Purpose wise Loan Disbursement	67
4.2	Purpose wise Loan Collection	68
4.3	Purpose wise Loan Outstanding	69
4.4	Deposit Mix of Five Years	70
4.5	Statement of Banking Loan	71
4.6	Annual Interest Collection	71
4.7	Annual Repayment Rate	72
4.8	Term-wise Loan Disbursement	73
4.9	Term-wise Loan Collection	74
4.10	Term-wise Loan Outstanding	75
4.11	Development Region wise Loan Disbursement	76
4.12	Development Region wise Loan Collection	76
4.13	Development Region wise Loan Outstanding	77
4.14	Total Loan Disbursement, Collection and Outstanding	78
4.15	Percentage and Annual Growth of Disbursement	
	Loan: Average Growth Rate per Annum	79
4.16	Percentage and Annual Growth of Collection	
	Loan: Average Growth Rate per Annum	80
4.17	Percentage and Annual Growth of Outstanding	
	Loan : Average Growth Rate per Annum	82
4.18	Purpose wise Loan Overdue	83

4.19	Term wise Loan Overdue	84
4.20	Development Region wise Loan Overdue	85
4.21	Lending Policy of ADBL	86
4.22	Rate of Interest Charged By ADBL	86
4.23	Loan Payment Schedule	86
4.24	Commencement and Service Charge, Charged by ADBL	87
4.25	Used in Modern Technology	87
4.26	Amount Used in Loan Purpose	88
4.27	Reasonable Place of Market	88
4.28	Interest, Rebate and Discount of ADBL	88
4.29	Loan Purpose	89
4.30	Letter or Notice Received From ADBL	89
4.31	Problem of Taking Loan or Paying It	89
4.32	The Reason May Lead not To Pay the Loan Taken from ADBL	90
4.33	Percentage of Customer Facing Problem from the Place Office (ADBL)	90
4.34	No. of Green Card Holder	91

LIST OF FIGURES

Figure No. :		Page No.:
4.1	Annual Interest Collection	72
4.2	Annual Repayment Rate	72
4.3	Term wise Loan Disbursement	73
4.4	Term wise Loan Collection	74
4.5	Term wise Loan Outstanding	75
4.6	Percentage of Collection to Disbursement and Outstanding	78
4.7	Movement of Loan Disbursement of ADBL	79
4.8	Movement of Loan Collection of ADBL	81
4.9	Movement of Loan Outstanding of AQBL	82
4.10	Term wise Loan Overdue	84

LIST OF APPENDICES

Appendix No.	Title	Page No.:
Appendix -I		
1.	Type Wise Loan Disbursement	I
2.	Type wise Loan Collection	I
3.	Type Wise Loan Outstanding	I
Appendix - II		
1.	Development Region Wise Loan Disbursement	II
2.	Development Region Wise Loan Collection	II
3.	Development Region Wise Loan Outstanding	II
Appendix -III		
	Annual Payment Rate	III
Appendix -IV		
	Annual Interest Collection	III
Appendix -V		
	Statement of Banking Transaction	IV
Appendix -VI		
	Statement of Banking Loan	IV
Appendix-VII		
	Total Loan Disbursement, Collection and Outstanding with Fitting Trend Line.	V
Appendix -VIII		
	Sample Customer Contact Report	VIII
Appendix-IX		
	Purpose Wise Loan Overdue	IX
Appendix-X		
	Six Aspect of Loan Application (Six Cs)	IX
Appendix-XI		
	Questionnaire	XI

ABBREVATIONS USED

ADBL	:	Agricultural Development Bank Limited
Agri.	:	Agricultural
Appx.	:	Appendix
APROSC	:	Agricultural Project Service Center
ASARRD	:	Asian Survey of Agrarian Perform and Rural Development
B.S.	:	Bikram Sambat
CB.	:	Commercial Bank
DCS	:	Distribution and Consumer Service
E.g.	:	For Example
Etc.	:	Etcetera
FAO	:	Food and Agriculture organization
FY	:	Fiscal Year
G.D.P.	:	Gross Domestic Product
Govt.	:	Government
GTZ	:	German Technical Co-operation.
i.e.	:	That is
Ibid	:	Ibidem (From the same book)
IDP	:	Institutional Development Program
LRSC	:	Land Reform Savings Corporation
M	:	Million
MIS	:	Management Information System
Mktg.	:	Marketing
NRB	:	Nepal Rastra Bank
P	:	Page
P. P.	:	Pages
Rs.	:	Rupees
RTC	:	Regional Training Center
SFCL	:	Small Farmer Co-operative Limited
SFDP	:	Small Farmer Development Project
SKBBL	:	Sana Kisan Bikas Bank Limited..
SPO	:	Sub Project Office
UNDP	:	United Nations Development
Viz.	:	Namely .
Vol.	:	Volume
WB	:	The World Bank