

CHAPTER-ONE

1.1 INTRODUCTION:

1.1.1 Historical Background:

Banks are those financial Intermediaries who accept deposit and grants loan. In other words banks may be defined as financial intermediaries accepting deposits and granting loans, offers the widest menu of services of any financial institution certainly 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."* (Peter S. Rose: 2002).

The word 'Bank' was brought from 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.

Bank plays a vital role in developing the economy of any country. It is a resource mobilizing institution which accepts deposit from various source and invest such accumulated resources in the fields of agriculture, trade, commerce, industry, tourism etc. "The banking sector is largely responsible for collecting household saving in terms of different types of deposits and regulating in the society by lending in different sector of economy. By lending their resources in small scale industries under intensive banking program has enabled the banks to share in the economic growth of the economy.

(S. Shrestha :1993) .

Nowadays, two types of banking practices are seen in the rural financial market: Commercial banking and development banking. "The commercial bank usually make business in urban areas whereas, development banks provide services in rural areas. Commercial bank does not produce any thing but transaction of money. Its performance is indispensable to support the economy activities. It simply acts as a mediator between people who want to save their surplus money and those who need some money to operate their business or projects. In the commercial lending, usually the same client is repeated if loan rapid. But in development finance, if such repetition occurs, the out reach could not be extended. Generally, development banks are established with the public funds such as government treasury or the international financial institution for the development.

Nepal is an agriculture country. Nearly 76% of the population, of the age of 15 and over has engaged in agriculture. As agriculture is the backbone of the Nepalese economy, its development is essential for the economic and social development of the country. It is possible only through the flow of agricultural credit to the farmers of middle and lower class. To fulfill this objectives Agricultural Development Bank Limited, Nepal. (ADBL/N) was established in 1968 for providing agricultural loan and other supporting activities to the rural populace in the country. Prior to the establishment of the ADBL, Co-operative Bank established in 1963 was the prime source for providing agricultural credit. This bank was commenced to cater the credit needs of the co-operative societies in 1966, land reform saving corporation (LRSC) was established to mobilize the compulsory savings generated at the village levels and provide agricultural credit to the needy ones. Both of these institutional credit arrangements had limited agricultural financing scopes. As a result, the government in 1968 initiated the Agricultural Development Bank under the Agricultural Bank Act 1967 in heisting the assets and liabilities of the Cooperative Bank. The ADBL so formed focused on the

agricultural credit massively accessible to the rural community. : Later in 1973, the LRSC was also merged with the ADBL.

In 1975, small farmers development program (SFDP) was initiated for financing small farmers on group liabilities in order to boost up the socio-economic condition of rural populace in 1984, the amendment of the act also permitted ADBL to extend its wing in commercial banking activities. So, to mobilize urban resources in the rural areas of the country. In 1993 ADBL initiated farmers co-operative approach by transferring SFDP into small farmers co-operative limited (SFCL).

ADBL registered into limited company under the company Act in July 15, 2005 changing its strategy from development to business. Consequently, it has been operating on maintaining financial substantiality in the present competitive market. [*Pre-service training for officer of ADBL (2009)*].

ADBL is a sole financial institution in the country executing it's activities by three major windows namely development financing, commercial banking and small farmers development. Through these sectors it is contributing more than 79 percentage of institutional credit to the rural populace by strengthening its network in all the geographical regions- the mountains, the hills and the Terai. [*ADBL (2003) Agricultural credit, Bi-Annual Journal*].

1.1.2. FOCUS OF THE STUDY:

Rural credit in Nepal is provided by both informal and formal sectors. The establishment of the banks has given new horizon to the institutional financial sector of Nepal. Loan management is widely accepted and common era of banks. This study is widely focus either loan management of ADBL/N has good or not.

1.1.3. STATEMENT OF THE PROBLEM:

The bank can't live without managing its liquidity position. This liquidity position depends on the management of disbursed loan in time and their self standing capacity of all expenses. A bank or any financial institute can disburse necessary amount to their barrowers and collect the entire disbursed amount in time, if there is a good loan management system. Without effective and proper ban management no enterprise can accomplish it's predetermined goals and objectives. Hence, it is the life blood of any financial institutions.

It is good and positive matter to all Nepalese that we can get loan from that kind of bank. But, is the ADBL/N's program sufficient to provide adequate ban for all Nepalese? Why the banks are only cited on the urban areas? Why don't they want to expand their branch in the rural and remote areas? What is the problem for this?

This research paper attempts to show the effective application of loan management with in the conceptual framework of loan management and collection procedure. Besides this, the present study, intends to explore the following basic research questions, seeks to bridge the present gap of potential burrowers and banking institutions.

- a) What is the process of receiving loan from ADBL and repay it in time?
- b) Can we get the institutional credit from ADBL easily?
- c) How does the ADBL disburse and collection of loan?
- d) What is the situation of outstanding loan?
- e) What steps should be taken to improve the lending and recovery procedure of disbursed loan?

1.1.4. OBJECTIVES OF THE STUDY:

The main objective of the present study is to evaluate the loan management 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 and collection.
- c) To examine the achievement of purpose wise, term wise and development region wise loan disbursement and collection of ADBL.
- d) To evaluate views and ideas of loaner and manager.

1.1.5 SIGNIFICANCE OF THE STUDY:

ADBL is one of the major financial institutions supporting the rural and urban people for institutional credit. Many lending agencies are present in Nepal but agricultural financing problems have not been solved yet. In other words, ADBL's contribution is more than 79 percent of institutional credit to the rural population by strengthening its network all over the country. Non-institutional financing still now plays a vital role in the rural area. This study provides some information to analyze the data and some occurring problems for specific fields. This study tries to focus on ADBL's disbursement and collection procedure so that all Nepalese farmers and other entrepreneurs can get some knowledge about receiving institutional credit from 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.

This study is important:

- a) To the bank ADBL
- b) To the targeted entrepreneurs and farmers.
- c) To the policy makers
- d) To the interested persons and scholars.

1.1.6 LIMITATION OF THE STUDY:

Today world is dynamic, every things existing here are of limit character. Likewise, this study is also surrounded by limitation. The main limitations of this study are as follows:

- a) This study mainly concerns with ADBL
- b) This study concentrates only one those factors that are related with loan management of ADBL.
- c) Mostly secondary and primary data have been analyzed only a period of five year trend is considered FY 2058/59 to 2063/64.
- d) Availability of relevant data and other information will be determined it's scope.
- e) This study mostly focuses on loan disbursement and collection procedure.

1.1.7 ORGANIZATION OF THE STUDY:

This study is classified into five different chapters and the chapter are as follows:

- | | | |
|---------|----|--|
| Chapter | 1. | General Introductions |
| Chapter | 2. | Review of Literature |
| Chapter | 3. | Research Methodology |
| Chapter | 4. | Data presentation and Analysis |
| Chapter | 5. | Summary, Recommendation, Conclusion and Appendix |

The first chapter deals with the meaning of bank, brief historical background of ADBL statement of problem, objectives importance, limitations scheme of the study, fundamental concept and components of lending and collection procedure of ADBL.

The second chapter, review of literature includes some work, analysis and discussion already made in the field of bank in various planning provides and finally a brief review of previous research work specially made in respect of loan management.

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

In fourth chapter, data collected through various sources have been presented. It mainly consists the analysis of various types of data regarding loan management as well as recovery rate of ADBL.

The last chapter gives the summary of this study; recommendation, conclusion and appendix have been made on the basic of the study. This last chapter concludes this research paper.

1.2. THEORETICAL FRAMEWORK:

1.2.1 Loan Disbursement

1.2.1.1 General Background

Bank are expected to support their local communities with an adequate supply of credit for all legitimate business and consumer financial needs and to price that credit reasonably in line with competitively determined interest rates. "Indeed making loans in the principal economic function of banks b fund consumption and investment spending by business individuals, and units of government. How well a bank perform it's lending function has a great deal to do with the economic health of it's region, because banks loans support the growth of new business and jobs within the bank's trade territory and promote economic vitality. Moreover, bank loans often seems to convey positive information to the market place about a burrower's credit quality, enabling a barrower to obtain more and perhaps some what cheaper funds from other sources. [Peter S. Rose (2006) *op. cit* P. 571]

In banking sector or transaction, an unavailability of loan disbursement policy and its working method or procedure is regarded very important. Under this many subject matters are considered and thought. The policy of loan flow, loan administration, audit of loan, renewal loan, the conditions of loan flow, the documents of loan flow, the provision of security, the provision of the payment of the capital and its interest and other such procedures which play a great role in health competitive activities.

Nepalese bank's general characteristics are:

- a) A dependency of borrowing for expansion.
- b) Very little deposit mobilization
- c) Low level of profitability
- d) Insignificant profit retention
- e) Average to poor recovery of loans and interest income
- f) Weak financial structure.

[Krishna Bdr. Kunwar (2003) op. cit. P. 249]

1.2.1.2 Credit Policy of a Bank.

In providing loans to its customer, a bank has to follow a sound credit policy and conduct the business of lending on the basis of certain sound principles. In other words, a bank or any financial institute can disburse necessary amount to their borrowers and calling the entire disbursed amount in time. If there is a good lending policy without effective and proper lending or credit policy no bank can accomplish its predetermined goals and objectives. The established credit policy normally speaks about the following components. *[Peter S. Rose (2002) op. cit. P. 525]*

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

2. Liquidity: A bank has to ensure that it comes by on demand or in accordance with agreed terms of repayment. Liquidity means short term solvency of the borrower. A banker is essentially the lender of short term funds because he knows that the bulks on his deposit are repayable on demand or at short notice. So a bank should maintain his liquidity position.
3. Security: The credit policy should say what types of securities the bank wants to take and does not want to take. Traditionally, bankers have been security oriented. It must be ensured that the security when accepted must be adequate, readily marketable, easy to handle and free from encumbrances.
4. Purpose of loan: Now a days, the purpose for which loans are granted has acquired precedence over the principle of security. If a loan is required for a non-productive or speculative purpose, a banker will be reluctant to entertain the proposal. Loans for social functions, ceremonies, pleasure trips or for repayment of prior loans are not favored by a banker, as they are unproductive in nature.
5. Profitability : Any advance given, has to be profitable, otherwise banks can't run properly. In other words a bank should maintain its profitability while making a sound credit policy. Sometimes the considered may not appear profitable in itself but may be profitable in the long run. Substantial deposits or to exchange business, which may be remunerative to a bank. Lending rates are affected by banks internal policy like creating the borrower bank rate of central bank, inter bank competition and the central directives on lend rates.
6. Spread or loan mix: A successful banker is one who can manage his risks. One of the tools of management of risks is to spread his advance portfolio not only among many borrowers but also to diversify lending to types of industries and against different types of securities. A banker who puts all his eggs in one basket is not a prudent banker.

7. National interest: A banker should follow the national interest of that country while making a disbursement policy. Priority given by government and national interest is assumed greater importance than security, especially in priority sector of lending.

1.2. 1.3 ESTABLISHING A WRITTEN LOAN POLICY:

One of the most important ways a bank can make sure its loans meet regulatory standards and are profitable is to establish a written loan policy. Such a policy gives loan officers and the bank's management specific guidelines in making individual loan decisions and in shaping the bank's overall loan portfolio [*Peter & Rose (2004) Op cit P. 542*]

What should a bank's written loan policy contain? The examination manual, which the federal deposit insurance corporation gives to new bank examiners, suggests the most important elements of a good bank loan policy. These elements include: [*Ibid*]

1. A goal statement for the bank's loan portfolio.
2. Specification of the lending authority given to each loan officer and loan committee.
3. Lines of responsibility in making assignments and reporting information within the loan department.
4. Operating procedures for soliciting reviewing, evaluating and making decisions on customer loan applications.
5. The required documentation that is to accompany each loan application and what must be kept in bank's credit files.
6. Lines of authority within the bank detailing who is responsible for maintaining and reviewing the bank's credit files.
7. Guidelines for taking, evaluating and preferring loan collateral.
8. A presentation of policy and procedures for setting loan interest rates and fees and the terms of repayment of loan.

9. A statement of quality standard applicable at all loans.
10. A statement of the preferred upper limit for total loans outstanding.
11. A description of the bank's principal trade area, from which most loans should come.
12. A discussion of the preferred procedures for detecting, analyzing and worked out problem loan situation.

A written loan policy statement carries a number of advantages for the bank adopting it. It communicates to employees working in the loan department what procedure they must follow and what their responsibilities are. It helps the bank move toward a loan portfolio that can successfully blend multiple objectives, such as promoting the bank's profitability, controlling the risk exposure and satisfying regulatory requirements. Any expectation to the bank's written loan policy was permitted should be listed. While any written loan policy must be flexible due to continuing changes in economic conditions and regulations violations of a bank's cm policy should be infrequent events.

1.2.1.4 STEPS IN LENDING PROCESS:

Most bank loans to individuals arise from a direct request from a customer who approaches a member of the banks staff and ask to fill out a loan application. Business loan request, on the other hand, after arise from contacts 9e bank's loan officers and sales representatives make as they solicit new accounts from firms operating in the bank's market area . Sometimes loan officers will call on the same company for a months before the customer finally agrees to give the bank a try by filling out a loan application. Most bank loan personnel fill out a customer contact report which one shown in Appendix IX. When they visit a potential new customers place in business (*Ibid P. 526*)

1.2.1. 5 IS THE BARROWER CREDIT WORTHY?

The questions that must be dealt with before any other is whether are not be customer can service the loan. That is pay out the credit when due with a comfortable margin for errors. This usually involves a detailed study of six aspects of the loans application character, capacity, cash, collateral, conditions and control. All must be satisfactory far the loan to be a good one from the lender's point of view. (*Ibid, P. 528*)

1.2.1. 6. COMPONENTS OF A GOOD LOAN APPLICATION

Loan application is the primary source of information given in a systematic manner, required for assessment of the proposal. There is always a moral fear on the barrower that any wrong information furnished would soon turnout to his utter disadvantage with doubtful creditability before bankers. Banks have different sets of application forms for different scheme of loans contained variety of information. Some of the points generally contained in the loan farms are : [*ADBL 2009, Bank samachar, general division*]

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

1.2.1. 7 LENDING DOCUMENTATION:

Loan policy should prescribe uniform credit files and documentation procedure. Although such documentation procedures are considered as routine for most banks. Some additional documents are determined by the individual credit officer of the bank. An effective and efficient documentation system will promote uniformity leading to lower loan loss. A loan documentation checklist is designed by all credit department of

banks. The list of documents that is required in Nepal in the loan administration can be summarized below. [Dilli Raj Bhandari (2007)].

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

1.2.1.8. LOAN APPROVAL PROCESS:

The loan approval process and working method of a bank are very important. It is a multi-step process. An individual or the business organization comes to borrow loan so, a bank should know the process and working method about it. A bank provides loan to its customers there may not be the same process/method for providing all kinds loans. The process to accept loan for common people and the process to approve the loan to some industry, businessman or merchants are different. The process of the bank may be different in approving the loan for primary sector and for bigger projects. The bank makes special types of study, research and analysis before providing loan it makes supervision and inspection in such project even after providing loan behind it, there are two fundamental reasons. First the bank wants to be more secure to its investment and second it growth the quantity of loan. From the view point of both principal and practice, the loan approval processes of bank are as *follows*: [Dahal: (2006)].

1. EVALUATION OF PROPOSAL:

After a proposal is submitted by a person, institution and project, banks makes a deep study and analyze from different angles on the proposal.

Before approving the loan proposal the bank evaluates all necessary documents for providing loan in the case of persons or businessman the study of such documents are different. It will be accepted or rejected depending on the will of bank. If the bank feels the loan proposal satisfactory, it can approve the loan accordingly.

2. THE TYPES OF LOAN:

After classifying the proposal of a borrower. The bank discuss on these subjects, what types of loan the business firm or the persons wants. Generally, there are many types of loan like: social loan, business loan, primary sector loan, industrial loan, hire purchase loan and the employees ban etc. The loan can be classified in another way too like secured loan and unsecured loan.

3. DETERMINATION OF LOAN AMOUNT:

After classifying the loan category, the bank determines the limitation of a ban. In fact the proponent writes in his proposal, what amount of a loan. The customer is needed. The bank may or may not give the amount which proponent he has demanded. It is the matter depended on the will of the bank.

4. PREPARATION OF NECESSARY DOCUMENTS:

The bank should prepare some documents while providing loan to its customers. Only after preparing the legal documents, an evidence of burrowing loan is given to the creditors. It becomes the evidence of the loan taken by borrower.

5. LOAN ACCEPTANCE CHARGE:

After completing all process, the bank decides to provide loan to the loan proponent. According to this decision, the bank opens an account in the name of the borrowers, deposits the proposed loan in it. According to the

provision of the loan document, borrower can withdraw the money from the bank. But sometimes, such a situation may be created that the borrower doesn't take the loan after the loan is accepted by the bank.

1.2.1.9. LENDING CONDITIONS:

Whenever banks offer credit facilities to the borrower, it is always subject to the terms and conditions stipulated in the sanction letter. Bank being the creditors mm to insert the stringent condition while the borrower request the bank for lenient ones. If the borrower can shop around, he succeeds in getting loan at lenient conditions. In short, every loan is sanctioned subject to certain conditions which can be lenient or stringent depending upon the bargaining capacity of the bank and the borrower, but no way detrimental to the interest of the bank. Generally, bank sanctions loan containing all or any of the following terms and conditions.

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

1.2.2 LOAN COLLECTION:

1.2.2.1 GENERAL BACKGROUND:

A bank or any financial institute can disburse necessary amount to borrowers and collect the entire disbursement amount in time if there is a good loan management system. "Just as expediting the collection process conserves cash slowing disbursement accomplishes the same thing by keeping cash on hand for longer periods. An obvious way to do this is simply to delay payments, this involves equally obvious difficulties. Firms have in the past, devised rather injurious methods for 'legitimately' lengthening the collection period on their own checks, ranging from maintaining disbursement accounts in remote banks to using slow awkward payment procedures. Since such practices are usually recognized for what they are, their use should be avoided [J.F. Weston & T.E. Copeland (1992).]

Designation of repayment of the loan is also in art to the banker. The appropriate selection of the repayment method according to the nature of loan is a challenging part of lending. Loan is defined as the amount expected to be repaid with interest. In each loan modality for repayment 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 schedules. 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 is 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.

1.2.2.2 COLLECTION PROCEDURE (PAYMENT OF DEBT AND INTEREST)

A bank can collect easily its outstanding principal and interest in time, it can disburse his amount properly. In other words quality lending is the backbone of collection procedure. So, while providing loan to its customer a bank may be sure to collect the disbursed loan in time. The appropriate selection of the repayment method according to the nature of 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 of loan, and the nature of projects as well. Based on this, the banker normally has the following options available for the collection of loan [*Dilli Raj Bhandari (2007) op cit.*]

1. Short Period Loan:

Historically, banks have preferred to make short term loans to business. For non-permanent additions to their working capital. In the early 50s, banks usually grant self liquidating loans to business firms to finance the purchase of inventory or finished goods. The length of such loans are short period and is subject to make repayment depending upon cash availability with the firm. That is the loan is adjusted from the receipts of the goods sale.

On the other hand; working capital funds are also extended by banks for the operation of business forms for short period not exceeding one year the amount of loan is fixed from the manufacture 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 as necessary until the credit line matures.

2. 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 we some of the examples of projects loans. Project loans may be granted on a resource basis, in which the lender or the bank can recover its funds from companies sponsoring. The project in the event of the project does not pay out the loan as planned on the other side of non- resource basis, the lender takes additional security to cover the loan at the end of maturity if it defaults. In both causes the bank can take over the project itself to recover the loan.

The loans are designed to fund long and medium term business investments such as the purchase of equipment or the construction of physical facilities, covering a period longer than one year. Long term capital funds can not be raised at short notice. This funds have to be tied up to an acceptable proposal and planned and estimate in advance so that the funds in the required quantum we available on schedule. Usually, the borrower applies for a lump sum loan based on the budgeted cost of its proposed project and than pledges to repay a ban in series of installments (often payments are made quarterly or semester depending upon the convenience of both parties. Therefore, terms loans look to the flow of future earning of the business firm to amortize and retire the credit. The schedule of installment payments is usually structured with the borrower's normal cycles of cash inflows and outflows firmly in mind at the time of investment while some term loan agreement 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 exceptional circumstances. A long term borrowers can repay his loan before maturity but then he will be required to pay penal interest charges. Repayments are in annul or periodical installments. The amortization

schedule may prescribe equal installments plus interest or equal installments covering principal and interest. Interest is charged on declining balances, the payments to be completed in any case before the expiry of the useful life of the project. All these types have been discussed below:

- a) Bucket payment method: This method refers to periodic payment of interest and payment of principal at the maturity. If interest is to be paid quarterly, bank collects interest per quarter and principal at maturity:

Nepalese banks charge interest on Ashwin end, Poush end, Chaitra end and Ashadh end if maturity of debt falls on date other than mentioned above, interest is charged for the number of days the loan is outstanding from previous quarter, computed on actual 365 days basis.

In most part of the world, interest is computed on 360 days basis.

The processes of bucket payment method are as follows:

Examples:

Loan amount = Rs. 1,00,000

Interest Rate = 15 % P.A.

Interest payments frequency = quarterly

Loan disbursed date = 20th Magh 2065

Maturity date = 19th Magh 2066

In above conditions, bank collects interest as following table:

TABLE 1.1 CALCULATION OF INTEREST

S.N.	Due date	Total Days	Interest amount
1	30 th Chaitra 2065	70	2877.00
2	32 nd Ashad 2066	94	3863.00
3	30 th Ashwin 2066	92	3781.00
4	30 th Poush 2066	90	3699.00
5	19 th Magh 2066	19	781.00
	Total Interest		15000.00

In this way, on 20th Magh 2066, the borrower is required to pay Rs.100781.

If loan is renewed for further period interest is paid on nearly quarter-end while principal on the new maturity date.

- b) Ballon payment Method: It refers to payment of principal and interest at maturity. In above examples Rs. 1,15,000 is paid on 20th Magh 2066, that is at maturity. This types of payment method is known as lump sum repayment method.
- c) Amortization Method: Under this method, repayment is made various installments. Banks may fix installment of principal and interest or only of principal, and interest is calculated and collected separately.

This sort of repayment method is applied normally in non-recurring loans like hire-purchase time loan etc., but not in loans like overdraft and cash credit. Formula of capitals recovery factor or PVIFA at r % for n periods (PVIFA 1 % n) is used to an installments of interest and principal.

It above loan is to be repaid in 12 monthly installments, the borrowers is required Rs. 9,025 per month.

$$\begin{aligned}
 \text{Principal or present value} &= \text{Rs. } 1,00,000 \\
 \text{Interest Rate@} &= 15 \% \text{ P.a.} = \frac{0.15}{12} \text{ month } 12 \\
 &= 0.0125 \\
 \text{Period (n)} &= 1 \text{ year} \times 12 \text{ installments} = 12 \\
 \text{Installment amount (I)} &= ? \\
 \text{Here,} \\
 \text{Present value} &= I (\text{PVIFA } r \% , n) \\
 &= \frac{\text{present value}}{\text{PVIFA } r \% , N} \\
 \text{Monthly installments (?) } &= \frac{1,00,000}{\text{PVIFA } 0.0125, 12} \\
 &= \frac{1,00,000}{11.08} \\
 &= \text{Rs. } 9,025
 \end{aligned}$$

In this way, the borrower is required to pay Rs. 9,025 monthly up to 12 months.

CHAPTER - TWO

2. REVIEW OF LITERATURE:

In order to understand the disbursement and collection procedure of, some research literatures are very useful for this research purpose. Directly related materials to ADBL. Research on ADBL and SFDP, different journals published by ADBL/N and NRB, Internet-site and thesis on related for literature. In this chapter a detail introduction to ADBL/N and loan disbursement and collection procedure of ADBL/N is mentioned separately.

2.1 AN INTRODUCTION TO AGRICULTURAL DEVELOPMENT BANK LIMITED (NEPAL) ADBL/N :

2.1.1. BACKGROUND:

Agricultural Development Bank Limited (ADBL) was established in 1968 with the major objectives for improving the economic condition of the rural people of country prior to the establishment of the ADBL, co-operative bank established in 1963 was the prime source for providing agricultural credit. This bank was commenced to cater the credit needs of the co-operative societies. In 1966, land reform saving corporation (LRSC) was established to mobilize the compulsory saving generated at the village levels and provide agricultural credit the needy ones. Both of these institutional credit arrangements have limited agricultural financing scopes. As a result, the government in 1968 initiated the Agricultural Development Bank Act 1967 inheriting the assets and liabilities of the co-operative Bank. The ADBL/N so farmed focused on the agricultural credit massively accessible to the rural community. Later in 1973. The LRSC was also merged with the ADBL. [ADBL (2009), *Annual Report Central Training institute, Office, Kathmandu P.1*]

In 1975, small farmers Development Program (SFDP) was initiated for financing small farmers on group liabilities in order to boost up the social-economic condition of rural populace. In 1984, the amendment of the act also permitted ADBL to extend its wing in commercial banking activities so as to mobilize urban resources in the rural areas of the country. In 1993, ADBL initiated farmer's co-operative approach by transferring SFDP into the Small Farmers Co-operative Limited. (SFCL)

ADBL is a sole financial institution in the country executing its activities by three major windows namely Development Financing commercial Banking and small, farmers Development. Through these sectors, it is contributing more than 79 percentage of institutional credit to the rural populace by strengthening its network in all the geographical regions -The Mountains, The Hills and The Terai. [Ibid. P. 2]

ADBL registered into limited company under the company act in July 15, 2005, changing its strategy from development to business consequently, it has been operating on maintaining financial substantiality in the present competitive market.

The main sources of the ADBL capital are share capital, customer's deposit, external borrowing, internal borrowings and other.

2.1.2. OBJECTIVES OF ADBL/N

The bank was established with the objective of initiating effective approaches to rise the economic position of the Farmers and ensure the overall agricultural development by making available agricultural credit easily.

Main objectives of the bank can be pointed out in the following ways :

1. To provide loans to expand production, irrigation and overall market to co-operative and rural Banks.

2. To provide loans to individual and other for the purchase of agricultural inputs, tractors, Power tillers and agriculture equipments.
3. To provide finance for the establishment of gohar gas (Bio-gas) plant.
4. To provide banking facilities to co-operatives and individuals in rural as well as urban areas.
5. To give initiatives to farmers in farming.
6. To provide loans to the farmers in farming the agricultural business like livestock farming etc.
7. To protect the farmers from the high rate of interest and provide them timely and adequate loan.
8. To provide credit to cottage and small scale industries and other handicrafts for the purchase of raw materials, equipments, machinery and construction of factory building required for such kind of industries.
9. To perform other activities as directed by government of Nepal on the advice of the Board of directors to fulfill the bank objectives in particular and national development in general.

2.1.3. MAIN FUNCTIONS OF THE ADBL/N :

- The major functions of ADBL/N are to [*ADBL/N (2009), Annual Report, op. cit. P. 2.*]
- Provide short, medium and long term agricultural credit to individuals, farmers, small farmers group and co-operative societies.
- Provide loan along with technical service for purchasing farm inputs such as chemical fertilizer insecticides, animal feeds, farm machinery and irrigation schemes development.
- Invest loan for livestock raising.
- Finance on cottage and small scale industries.

- Invest loan for cold store, ware housing and others marketing facilities.
- Provide loan for the development of alternatives energy sources.
- Develop institutional development programs by transferring small farmers Development program (SFDP) into small farmers co-operative limited (SFCL).
- Execute commercial banking function and
- Organize knowledge and skill-oriented training and workshop for human resource development.

2.1.4. ORGANIZATION AND MANAGEMENT OF THE ADBL/N :

The board of directors (BOD) is the Apex body of the bank organization and its member are appointed by the government. The major functions of BOD we to formulated policies, strategies, rules and regulation of the institution. The board consists of eight members including general manager of ADBL. Other members include a representative each from Ministry of Finance, Ministry of agriculture and Co-operative, Ministry of land reform and management, Nepal Rastra Bank, the co-operative societies and the individual shareholders. The government appoints one of the members as the chairman of the Board. Ibid P. 2]

The general Manager is the executive head of the ADBL/N. As an institutional head, the general manager provides major decision executes day to day management of the organization and smooth implementation of programs the help of deputy general managers, division chefs, directors and board secretary. In the operational level, managers and other staff perform day to day work under the supervision of ADBL supervision offices in accordance with the polices and decisions made by the board.

The organization of ADBL consists of a network of 240 offices including 1 office at Kathmandu, 5 supervision offices, 5 regional training centers

(RTCs) and 11 regional offices, 63 Banking Branch Offices, and Office of division chiefs include 14 offices. And remaining Sub-Project Offices (SPOs) of Small Farmer's Development Program (SFDP).

The ADBL has total manpower strength of 3442 out of which their representation:

TABLE 2.1 NUMBER OF EMPLOYEES OF ADBL

Office	No. of Employee
Head Office	300
Regional Office	233
Development Banking Office	2121
Commercial Banking Office	736
Regional Training Centre	38
Employee Retirement Fund	14
Total	3442

[Agricultural Development bank management. Ktm. 3114/2008 P. 5 to 6]

2.1.5 OPERATIONAL PERFORMANCE:

ADBL has been achieving satisfactory progress in various economic development activities such as Agricultural Development (Cereal crops, fruits vegetables and, poultry, buffalo cattle etc.) irrigation development (Surface irrigation, shallow-tube-well, industry development (Cottage industries and agro industries) and energy development (bio-gas, solar, micro-hydro) etc.

As a result, there programs has been contributing positive impact in the national economy.

2.2 MAJOR PROGRAMS OF THE ADBL

2.2.1 DEVELOPMENT FINANCING:

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 crops, tea and coffee production, livestock raising, irrigation, horticulture cottage industries, energy sector and fisheries development. An attempt to study the trend of investment, collection and outstanding loan of the development, collection and outstanding loan of the development financing sector for five years has been carried out. (Ibid P. 3)

2.2.2 COMMERCIAL BANKING PROGRAM:

Bank management thought of establishment of commercial banking aims to collect scattered saving in urban area and thereby gradually reducing financial dependence. The first banking office established at Ratnapark in 1984 and total 62 offices in urban areas. [*Agriculture Development Bank limited, the program and Budget F/Y 2002/03 (Kathmandu) ADBL, planning and supervision Division, 2002) P. 49*].

The major goal of initiating commercial banking operation is to collect scattered saving from the resource surplus area and investing the some in resources deficit areas through agricultural lending. In addition to this, It contributes the organization becoming self-reliance on financial sectors.

Commercial bank of ADBL, since inception in 1984, have accorded top priority to the collection of deposit from both public and organization/institutions. The banks have been successful to attract a large number of depositors by providing distinct service in commercial banking sector. Thus in terms of deposit collection commercial banks of ADBL stand at good position among the largest commercial banks in the country.

To strengthen resource base of the banks, compensate the loss incurred by its rural offices maintain liquidity and above all to accelerate the momentum of tie industrial and commercial development of the country,

the bank started commercial lending from 1991. Its investment reached Rs.12855543 thousand, collection Rs. 11841604 thousand and outstanding Rs. 22186952 billion in F/Y 2063/064 B.S. [Ibid P. 7]

In addition to the acceptance of deposit, commercial bank delivers the following services as well.

- Issue of Bank guarantee.
- Fax transfer Services,
- Draft and mail transfer Services,
- Collection of cheque, draft and bills.
- SMS banking and E-banking
- Quick and reliable services.

2.2.3 REFORM PROGRAM:

Reform is the integral part of any organization for the betterment of its functional and operational activities. The organization will upgrade its quality if it can see the right of weakness and immediately resolve such shortcomings in time.

In the process the organization should initiate a series of strides which help to achieve the goal of not only sustainability and viability but also effective and efficient mechanism. Thus reform, re-form and continuous reform are the main principles of any organization for its existence.

The Agricultural Development Bank Limited since its inspection in 1968 has gone through a series of convenient and difficult years. When donors were favourable the liquidity crises were masked when they pulled off, it surfaced again to relinquish the effect of exercise dependency on donors and its aftermath, the bank made historical decision to mobilize urban savings for rural investment. This decision paid off for the time being. However due to increasing bank defaults because of some unsuitable

policies, the problems become to resurface. During the mid-nineties the bank's repayment rates hit the rock bottom. Then the bank was compelled to make another decision in 1997. The decision comprising-major reforms in its investments, collection, interest rate, client incentives for repayment restructuring of default loan, compulsory saving, reduction of non-performing assets, regular contact with clients, client awareness, fund generation at local level and awareness, fund generation at local level and initial bridging between default clients and bank etc. [Ibid P. 9]

The major objectives of the first reforms program initiated in 1997 include:

- Conquer the financial problems facing by the bank
- Achieve independence in management of resources by generating own internal resources
- Provide qualitative loan services and increase outreach.

Silent features:

- Improvement in loan investment policy
- Monthly interest repayment system
- Rebate system on interest and principal collection
- Restructuring of overdue loan amount
- Mobilization of rural savings
- Increase in contact and co-ordination between clients and banks
- balance the size of loan.

Achievements:

- Significant improvement in loan collection both principal and interest.
- Decrease in rate of overdue loan.
- Control in growth of overdue loan and interest receivable
- Enhancement in staff productivity.
- Better liquidity management.

- Implementation of saving programs effectively
- Comparatively increase in number of qualitative projects
- Management of fund for loan provision.
- Significant improvement in contact with clients

The first reform program launched in 1997 in imparted impressive and encouraging results, which inspired the management in further improvement in financial sector. In the process the management has initiated another second reform in 2001 introducing the concept and procedure of income recognition policy, loan loss provisioning system. [Ibid P. 10]

The current and update reform program of ADBL/N under third reform program 2008 are as follows:

Objectives :

- Attain self-sufficiency in terms to financial resources
- Introduce prudential norms as gradually introduce professional work culture in field offices.
- Introduce transfer pricing system at field level offices
- Monitor progress of all offices by applying financial indicator.

Characteristics:

- Implementation of transfer pricing system at branch level.
- Application of stringent loan loss policy and its implementation in field offices
- Strengthening monitoring and follow up system of field offices.
- Transformation of field officer into responsibility (Profit) centers.

Outcome Expected:

- True and fair picture of the financial statement of head office and field offices

- Optimizing of income expenses as well as enhancing quality of loan portfolio by the field offices
- Considerable improvement in the level of management of various resources.
- Regular improvement in the overall quality of loan portfolio of the bank.
- Gradual transformation into financial more viable institution.
- Capable to provide reasonable rate of return to its shareholders.

2.3 POVERTY REDUCTION PROGRAM:

2.3.1 SMALL FARMERS DEVELOPMENT PROGRAM (SFDP)

Small farmers Development program (SFDP) was initiated in 1975. It was outcome of the FAO/UNDP joint regional project named "Asian survey of Agrarian reform and Rural Development" (ASARRD), which recognized the fact 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 August 1975 and at Tupche in Nuwakot district (Hill February 1976). The Agricultural Development Bank Limited was entrusted with the responsibility of executing the project. The rural farmers whose income is less than Rs. 2500 per capita is considered as target group moreover and less agricultural labours, tenants, share cropper, fishermen and other rural people who are depending on agricultural related occupation are considered as small farmers. The main objective of the program is to raise the socio-economic status of the small farmers, land less labour including women by bringing them into the mainstream of the development process and institutional development of their own grass-root level organizations. The group and bottom up planning are the main fundamentals characteristics of this program to provide development service to the rural poor [*Ibid. P. 11*]

Major Activities:

SFDP implements both economic and social activities which provide micro credit for improving productivity of limited size of land holding together with improved production technologies for intensive cultivation practices. Social and community development activities include literacy, water and sanitation, in of school buildings and family planning etc.

Besides SFDP undertakes other activities Viz. marketing arrangement, creation of productive assets, training programs, group savings, livestock, insurance, environmental conservation and women development program. The characteristics of this program is the coverage of all poor people i.e. men, women, poor and ultra poor. The development workers can borrow different to design poverty reduction models applicable to the aforesaid groups.

Impact of SFDP :

Impact evaluation of SFDP conducted by national and international organization such as agricultural project service center (APROSC), new ERA, Asian Development Bank have reported several positive changes brought by SFDP with the help of economic, social and community development activities. Fairly encouraging changes were found to increase in the use of improved farming methods increase in cropped area, use of improved seed and fertilizer arid other inputs. Further changes found were the increase in farm & off-farm income and self-employment opportunities.

The studies also found positive gains on social development front i.e. increase in school enrollment rate for boys and girls, adoptions of family planning practices and increase in adult literacy rate by raising awareness among small farmers. The study revealed that the irrigation project has significantly increased agricultural productivity, income and employment opportunities [*Ibid P. 11*]

2.3.2 SMALL FARMERS CO-OPERATIVE LIMITED (SFCL)

Small farmers co-operative limited (SFCL) refers to the small farmers organization which is developed with the view to building up institutional management capacity implement SFDP. In other words, it is the organization of the poor populace developed by the poor to help the poor to mitigate poverty. This effect made small farmers capable of planning, implementing, monitoring and evaluating the program of 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 approach developed within the SFDP program and is based on the participatory approach. ADBL has planned to implement this program in all SPOs and gradually handover these SPOs to the small farmers. Bank has adopted specific package for SPOs for IDP process and general package for SPOs trying to enter in the process of IDP.

Objectives :

The main objective behind this institutional development are :

- Develop local Self-reliance by developing leadership and managerial abilities among SFs themselves.
- Narrow down the cast and bureaucratic barriers between the delivery agencies and small farmers and established and effective and efficiency delivery mechanism to reach the services towards the rural poor.
- Expand and increase the width and depth of program in a cost and time effective manner.

Policy and strategies for the replication of IDP :

IDP experience of Dhading District has stimulated small farmers of other district as well. In the direction, SPOs have been assisting small farmers to SF-Organizations by farming inter group and main committee. Therefore,

has formulated some policies and strategies to replicate such program all over the country by selecting potential SPOs. [Ibid, P. 11]

Donors Support:

SFCL model is one the local resources based institutions or programs. To its structure and develop leadership capability the general Agency for co-operation (GTZ) has been providing technical assistance in SFCL training program. ADBL has been providing support in monitoring & supervision, re-financing facilities and co-coordinating them with local line agencies and seeks from them for training, social and community development activities. Similarly for the last couple of years government of Nepal provided some grants for community development activities.

2.3.3 SANA KISAN BIKAS BANK LIMITED (SKBBL)

Agricultural Development Bank Limited initiated institutional development by transferring sub project offices (SPOs) implemented under small farmers Development program, into small farmers Co-operative limited (SFCL). The bank undertook 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 to rural development for the rural poor get their status improved help of their own institution operating without any external The German Technical Co-operation (GTZ) has extended continuous technical support to the institutional development of SFDP.

SFCL is a grass-root micro finance institution which is owned, managed and controlled by the member of small farmers themselves. It emphasizes on skill development, women empowerment, leadership development, local on resources utilization, mutual co-operation and above all social mobilization etc.

However, in view of the questions of sustainability of most of the grass-root micro-finance, SFCLs are required to have strong backing of an apex which could not only extend financial but also technical managerial er supports as per their needs.

Sana Kisan Bikas Bank Ltd. emerged as a specialized wholesale lending financial to meet the above stated requirements of SFCLs, which are serving around 65 thousand poor household. It has at present planned to extend service to the existing 118 SFCLs operating throughout the country. In addition, the bank will extend service to all the subsequently emerged SFCLs. [libd, P.13]

Objectives :

The major objective of SKBBL are:

- Extend wholesale credit/refinancing to SFCLs and similar other grass-root micro-finance institutions involved in poverty reduction.
- Monitor, Supervise, follow-up and instruct the SFCLs in accordance with the directives issued by the NRB.
- Extend support and co-operation in the area of finance, technology and training along with the promotion, expansion, consolidation and help institutional and human resource development of micro-finance institutions.
- Support social mobilization process to speed up social transformation.
- Extend support in poverty reduction program by exploring employment opportunity and enhancing income through the institution.

2.3.4. MICRO FINANCE DEVELOPMENT PROGRAM:

In simple word, any credit or loan provided for income generation and enterprises development for raising subsistence living condition of the poor should come in micro-finance sector. If any of the population go beyond the subsistence level of condition and try to level off /link him/ her to local

economy of scale at sub-national level financing institution/banks to pirate meso/medium level enterprises and enable them to capture a formal market for product selling and buying. Specialty micro-finance system tries to those who are living under human and low economic condition and virtually and ability of risk taking for any kind of income generating imitations.

CHARACTERISTICS:

- Different financial service of micro-sizes
- Separate provision for non-financial services
- Business rather than donation.
- Meeting the financial service needs of poor and ultra-poor.
- Very simple procedure for all types of services.
- Services available at the door steps of the clients
- Able to cover the cost of the service.

Key Factors of Micro Finance:

- Key micro finance service providers:
- SFDP
- Grameen Bikas Banks
- Grameen replicators (NIRDHAN & CSD)
- PCRW, Commercial Banks
- MCPW, Plan international, SECI
- Credit unions, GTZ, Action Aid, (CMF, MIFAN, RMDC, Key lenders to MIFIs etc. [*Micro-finance development in Nepal 2058* Magh, year 26, Bank Sammachar]

2.4. LENDING AND RECOVERY POLICY AND PROCEDURE OF ADBL. :

2.4.1 LENDING POLICIES AND PROCEDURE:

The lending policy of ADBL is broadly based on two considerations. Firstly, it emphasizes the development of such loans for the 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 consider, the productiveness of the loans. For this, it takes the detailed accounts of the program including the expected periodic benefits from the concerned party and checks 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 crops production in the Terai, horticultural in the tea in the eastern region, and livestock development in Himalyan / Terai region. It has also given stress on a special program for small formal and landless agricultural laboures, introducing SFDP under its direct supervision and guidance, within these broad polices outlines various other factors like eligibility of borrowers, loan limits, interest rates, security and margin requirement etc. are specially stated and taken into consideration. [ADBL 2009, *Development Banking loan*,].

2.4.2. ELIGIBLE BORROWERS OF ADBL. :

As per prescribed policies of ADBL the application [Ibid P. 2.]

1. Must be a Nepalese citizen, if the applicant is a co-operative or corporation body. It must be registered in the related government offices.
2. Must have necessary knowledge, experience and skill to operate enterprise.
3. Must be socially and financially characteristic nature.
4. Must not be arrears in repayment of principal or interest on any existing loan except for reasons behind their reasonable reasons.
5. Must be willing to meet the equity contribution for the project as required by ADBL's rule & regulations.

2.4.3. LOAN LIMITS:

Depending upon the purpose and type of the loan ADBL provides loan ranging from 80 to 100 percent of total project cost. The remaining part of the cost of the project will be the equity contribution of the borrower.

Limits have also been set regarding the amount of loan that can be sanctioned at a time and amount that can be remain outstanding [ADBL (2046) loan manual, loan division, Head office of Kathmandu]

2.4.4. INTEREST RATES:

The bank has followed discriminatory interest rate policy depending upon the burrowers and the purpose of loans. Loans for co-operative are cheaper as against loans for individual borrowers similarly, loans for irrigation, bio-gas, horticulture tea and coffee, land development housing, godown and cold storage etc. are cheaper as compared to other loans provides by the banks. And nowadays, the interest rate in Karnali Zone is cheaper than other parts. The prevailing interest rate charged by ADBL has shown in table 2.2.

Table 2.2 EXISTING ANNUAL INTEREST RATE OF ADBL.

A. Commercial Banking with effective from 2065, Sharwan, 1

S.N.	Types of Deposit	Interest rate
1.	Saving	2.5%
2.	Fixed deposit Rate	
	a) 1 Month	2%
	b) 3 Month	2.5%
	c) 6 Month	3%
	d) 1 Year	3.5%
	e) 1-2 Year	3.75%
	f) 2 to 3 Year	4%
	g) Up to 3 Year	4.25%

B. Development Finance with effective from 2065 Shrawan, 1

S.No.	Purpose	Rate of Interest for Monthly payment
1.	Tea/Coffee	10
2.	Land Development and Housing	10
3.	Cold Storage	9.5
4.	Home Production	
	a) Repayment within 5 years	4
	b) Repayment 5 to 10 year	10
	c) Repayment after 10 year	10
	d) Non reasonable(Commercial) and Apartment	10
	e) Installment Industries Machinery tools	10
	f) Transportation tools production & installment	10
5.	Transportation, Communication - Hire purchase	10
6.	Whole seller and retailer	
	a) Agro tools & non agro-loan	12
	b) Export Import business	11
	c) L.C. and TR loan	11
	d) Business Loan (Banking)	10.5
7.	Finance, Insurance and fixed assets	
	a) Land development	10
8.	Service Industries Banking	9.5
9.	Other Services	10
10.	God down	10
11.	Horticulture	10
12.	Cereal Crops	10
13.	Cash Crops / Special crop. Vegetable farming	10
14.	Potato/vegetable/Mushroom/Herbs/Keshar	10
15.	Irrigation	10
16.	Bio-gas and Energy	10
17.	Working capital (All purpose except Tea/Coffee)	
	a) Poultry/Fishery/Bee keeping	12
	b) Animals/Birds/others	12

2.4.5 NECESSARY DOCUMENTS WHILE RECEIVING LOAN:

The following documents are needed while receiving the loan from ADBL
[ADBL Development Banking loan investment head office KTM. 2065 Ashad]

- Copies of the ownership certificate of land or building, receipt of land or building, receipt of land revenue and citizenship of Nepal Citizen.
Blue print of land or building. Firm registration certificates Acceptance of owners while taking the collateral of other person Credit information from other related financial institutions.
- Cost estimate of the project.
- Quotation of the machinery while procuring it for the project.
- Two copies passport size photo of client
- Scheme and feasibility study report etc.

2.4.6 ABILITY TO TAKE LOAN :

To take loan from the ADBL, borrower must be : *[ADBL, loan investment Department head office Ktm. 2065 Ashad]*

- Experienced and interested with the project
- Socially and financially characterful.
- Able to do good financial position of the project.
- Able to maintain good relationship with financial institution.
- Able to give acceptable collateral to the bank and invest some equity capital.
- Financially and technically viable project.
- Nepalese citizenship and ability to take loan from any institution legally.

2.4.7 PROVISION FOR COLLATERAL:

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 by

the bank authority. Loan is sanctioned and granted by deducting the margin as follows.

TABLE 2.3 PROVISION FOR COLLATERAL

S.,N.	Types of collateral	Margin Deducted	Loan %
1	Land	20	80
2	Building/ godown	30	70
3	Machinery/Equipment	40	60

Source : [ADBL, Loan investment department Head office. 2065 Ashad]

For tea loan; if the collateral seems to be less value than loan, the plant of Tea more than one year is also valued. For revaluation of the collateral, there must be the time period of valuation one year in urban area and two years in rural area.

2.4.8 LOAN REPAYMENT PERIOD:

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

TABLE 2.4 LOAN REPAYMENT PERIOD

S.N.	Purpose	Maximum period of loan repayment
1	Production Loan	6 Month to 18 Months
2	Livestock	1-5 year
3	Horticulture, Tea, Coffee, Nursery	2-15 years
4	Irrigation and Agriculture materials	3-5 year
5	Agri Industries (Fined)	5 years
6	Godown/cold storage	up to 10 years
7	Agri/marketing	up to 1 year
8	Alternative Energy	3-5 year
9	Operating Capital	up to 1 year

[Source : ADBL Loan Investment Department Ashad 2065]

2.4.9 FACILITIES RECEIVED FROM THE BANK:

ADBL has provided the following facilities to the borrowers who maintain the good relation to the bank.

1. Green card facility: ADBL is provided the GREEN CARD to those clients who pays the principle and interest in time from more than 3 years. If any client gets this card, the bank provides the following facilities for them.
 - i) Loan Rs. 50,000 without any purpose
 - ii) One period less interest than others
 - iii) Facilities in collateral margin
2. Rebate on interest: if any client pays his interest monthly, the bank provides them 10 % rebate on total paid interest.
3. Line of credit: By this facility borrows can collect and receive his sectional loan amount before maturity any time.
4. Gross period: According to the nature of the project the bank provides some gross period with loan installment period to his customer.
5. Total production loan.
6. Customer provision fund, etc.

2.5 RECOVERY POLICIES & PROCEDURES:

ADBL provides the loan for many purposes to the farmers. There are different terms of loan which are mostly collected in their maximum lending period. For the collection of loan from the borrowers are different in their loan purpose. The loan installment period may be increased depending upon some specific difficulties. ADBL has a loan recovery manual 1993. Which was issued in 1993 under the ADBL loan recovery rules and regulation 1976 and ADBL act 1967. This loan recovery manual 1993 help to collect the loan amount effectively rrMfi its loan installment period.

The policies and procedures of loan recovery of ADBL has taken into different consideration like.

- Objectives of loan recovery manual 1993
- Authority of bank, if breaking the agreement
- Provision of interest
- Penalty and rebate
- Provision for memorandum letters.
- Punishment stage for recovery
- Provision for sick project
- Correction of payment period
- Borrowers name publication in magazine.
- Provision for auction of collateral
- Doubtful loan
- Remission of loan

2.5.1 OBJECTIVE OF LOAN RECOVERY MANUAL 1993

The objectives of loan Recovery manual is as follows:

(ADBL (2049), Loan Recovery manual Recovery Division, Chapter 2, (2) P. 3]

- Officials are mobilized for conducting the program to recover loan, for timely monitoring and directing by providing them about the importance of loan recovery and its target.
- To conduct the program of recovering loan before the loan installment period
- To conduct loan recovery program regularly.
- To determine the failure project as per pre-determined payment program and manage to amend the data of loan recovery and to determine the loan which is not possible to recover and manage properly.
- To manage the file to be kept up to date. To standardize the information system for necessary particulars to recover loan to

ensure that the format of particulars are made identical as far as possible.

- To monitor regular supervision evaluate through advice suggestion and direction to the borrower for succeeding the project.

2.5.2 AUTHORITY OF BANK, IF BREAKING THE AGREEMENT:

The ADBL has an authority under the ADBL act 1967 of article 20. If the borrower break their agreement, rules and regulation.(Ibid, *chapter 3(3.9)P. 4]*

- The bank has the authority of to sell or auction the collateral to recover the loan amount and interest.
- If the collateral valuation of the borrowers decrease &, bank has authority to receive other property from the borrower or to sell and auction the property to collect the principal and interest amount.
- If the ADBL is unable to collect the loan amount from the selling or auction of collateral, bank has authority to recover loan amount from the other property of borrowers.
- Bank has authority to transfer the title of collateral to the third party; the third party has the same legal validity of their property title. Which is legal validity of their property title which is transfer by the bank is same as well as by the borrowers.
- Bank collects their loan amount by the selling auction or any other process from the collateral. Bank also charged other legal expenses to the burrowers from the selling or auction of collateral.
- If the amount is received higher than the loan amount and other charge, bank should be returned those amount to the borrowers, which is more from their recovery amount.
- Bank may be requested to the land registration office by the way of Nepalese law, for the registration or transfer the collateral title with itself or other third party, which from the selling auction or any other process.

- If the bank requested to the related registration or property transfer office for the collateral title transfer and registration, related office will do. Collateral is not possible for selling or auction the bank has authority to take the title of collateral from the related government office.

2.5.3 PROVISION FOR INTEREST, PENALTY AND REBATE:

ADBL has charged the interest rate which is shown in the prevailing nest rate schedules [Ibid, *Chapter- 5 (5.1) P. 3*]

- ADBL has charged 1% service charged and 0.25 % commitment fee if the loan amount is more than Rs. 50,000.
- ADBL has different interest rate. Generally co-operative organization has to pay less than 2% interest in every purpose from the individual borrower.
- ADBL has charged 4% penalty interest to those borrowers, who fails to repay the loan amount within the installment period.
- ADBL has charged 21% interest to those borrowers who mis-utilizes the bank's loan.
- Borrowers must deposit the 5 % of their sanctioned amount in their saving account named "Client security fund- CSF"
- ADBL provided 10 to 15 % rebate on interest amount to those borrowers who pay the monthly interest and loan amount in time.

2.5.4 PROVISION FOR THE MEMORANDUM LETTER:

There are three types of memorandum letter issued by the bank, which are as follows : [Ibid, *Chapter-7 (7.1) P. 15*]

1. First memorandum: It is provided to the borrower before one month from the expiry of loan installment period or due date.
2. Second memorandum: This letter is issued, if the borrowers have not paid the loan amount within the loan installment period after expiry of one month from the loan installment period.

3. Pre-notice for the publication the name list of the borrowers. After the 60 days of second memorandum letter issued, the notice for publication the name of borrower will be dispatched to concerned borrower.

2.5.5 PUNISHMENT STAGE FOR RECOVERY:

There are two stages for punishment, first is general and second is critical. [Ibid Chapter 21 (21.1-21.2) P. 53]

General punishment stage is primary stage applied for the purpose of securing recovery. Bank issued first memorandum letter before the one month from the due date and second letter is issued after one month from the loan installment period. If the borrowers are not ready to pay their loan, bank published their name and title of collateral in the publication.

Critical or legal punishment stage is that stage when the borrowers are failed to repay loan amount. Bank publishes the name of borrower in the public paper to pay their loan within 35 days, otherwise collateral will be sold or it will auction to collect the loan amount through the legal process.

2.5.6. CORRECTION OF PAYMENT PERIOD:

Loan installment or payment period may be corrected under the following special condition [Ibid, Chapter-14 (14.1) P. 1]

- If the project is failed or going on loss by the causes of natural climates such as heavy rain, earthquake, flood, land slide etc.
- If the project is affected by different diseases.
- Due to systematic causes that is beard by the borrows, Project will not stated in time
- Destroyed or damage the project or project or product can not be sold by the lack of market. If product is not be stored in godown or cold storage.

- If the borrower is requested with the reasonable causes.
- If the borrower's family requested after the death of main proprietor, when the project may not be operate successfully or it will be difficult to operate.

2.5.7 PUBLICATION OF BORROWERS NAME IN MAGAZINE:

If the borrowers fail to repay their loan to the bank, the bank provided memorandum letter, timely supervision on lending project. After this situation takes legal provision for recovering loan amount by selling auction or any other legal procedure; Bank publishes the borrowers name with title of collateral e news paper, for the payment of loan within 35 days. This information is provided timely to the borrowers [Ibid Chapter-2,P. 57]

2.5. 8 PROVISION FOR AUCTION OF COLLATERAL:

Provision for auction of collateral will be sold to the different persons, who agree to receive that property under his commitment.

The bank publishes notice on the different national level publication for the auction of collateral, when failure to recover loan amount itself or by the burrower [Ibid Chapter-21, P.55]

The bank has decentralized the auction power for different level of offices which are shown below:

- If the loan amount is up to Rs. 5,00,000. Including interest district level auction committee has decision power.
- If the principal and interest amount's more than Rs. 7,00,000 & up to 15,00,000. Decision power transfer to the DGM Level committee.
- If the principle and interest amount is more than 5,00000 and upto 7,00000 supervision office has auction decision power if the

principle and interest amount is more than Rs. 15,00000 decision power goes to GM level committee or the board of the bank.

- The bank has authority for publishing of this decision 7 days after passing the information about to the borrowers.

2.5.9 DOUBTFUL LOAN:

The ADBL announces the sinking loan; If the loan amount will not be able to recover. Sinking loan amount may be decided under the following condition. [*Ibid chapter-23 P. 65*]

- If the collateral is value less by the causes of natural calamities and other accident.
- To recover loan amount is not possible after selling or auction of collateral and there is no other property of the borrowers in the country of Nepal. Collateral may not be determined and borrowers are not found by the bank.
- If the loan amount may not be possible to recover when lending is made from the security and insurance of the loan amount.
- If the project is failure, when the loan provided under the security of Project and the project is valueless or the borrowers may not be found.
- If the borrowers succeed to recover loan from the bank by the way of cheating and by duplicate document, the bank fails to find out the borrower or may not be get success to recover loan by the legal process.
- Co-operative or corporate body failure to operate before 10 years and there is no collateral the bank fails to find out the executive body as well as board member.
- The co-operative or corporate body are liquidated.

2.5.10 REMISSION OF LOAN:

The board of ADBL has a right to grant remission of principle and interest of loan provided by the bank. If the board provides remission of principle and interest of loan. It has to be done accordingly. The GM has a right to grant remission of capitalized interest of capitalized amount [Ibid Chapter-24 P. 68]

The following loan committees have authority for providing the remission of loan amount.

S.No.	Offices	Permission of loan for one Purpose
1.	Deposit loan committee	Up to 800
2.	Sub-branch loan committee	Up to 1200
3.	Branches loan Committee	Up to 2000
4.	Main branch loan committee	Up to 3000
5.	Supervision Committee First Grade loan committee	Up to 4000
6.	Supervision Committee	Up to 5000
7.	Collection division recovery committee	Up to 8000
8.	Chairmanship of DGM Committee	Up to 10,000
9.	As per authority of the board remission is given through the GM	More than 10,000

2.5.11 PROVISION FOR BLACK LIST:

Borrowers name are kept under the black list on the following conditions [Ibid Chapter 26 P. 72]

- In case the borrower do not complete the project, which they have complete and misused the loan.
- The name of the following persons are kept in black list, who cannot take the loan from the bank there after:

- 1) In the case of person submit the documents belongs to other.
- 2) In case of a person applies the application with wrong name.
- 3) In case of a person shows collateral of other to take loan. 4)
In case of a person self the collateral without prior permission, sells the project, divides it or transfer to other name before taking permission from the bank.
- 5] In case of a person provide collateral to other, which was already, collateralized it to the bank.
- 6] In case of a person submit the duplicate documents as a original documents.
- 7) The black-list obtained from credit information center also to be kept in the above list

2.5.12 PROCEDURE OF RECOVERY:

The bank must collect its principle and interest amount from the borrowers for the smooth operation and further investment. The ADBL has developed policy and procedure for the recovery program which was already been mentioned above in this chapter.

The bank provides the loan under the supervision of collateral of the project and loan committee decision. Bank monitors its lending project time to time by the supervisor or its employees. Bank issues memorandum letter time to time before and after the loan installment period. Officials visit for the loan recover the product harvesting and sold.

If the borrower fails to repay the loan amount, bank should take legal provision to sell, auction of the collateral to recover loan amount. Bank may nose loan installment period, when the reasonable cases like- earthquake, my rain or flood, diseases of natural climates or political crises or increase in it of the project operation. Bank provides remission of principle and interest amount, increase in loan installment period, 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, otherwise it will be recovered its loan amount by the legal process or any process like, selling or auction of collateral and other property from the borrowers.

Asian Development Bank (ADB) has determines the disbursement procedures as: [www.adbl.org/doc/manual/operations.]

Procedures for withdrawal of loan proceeds are standardized to facilitate disbursement under most loans. Disbursement procedures consist of four major types, described briefly as the:

- Direct payment procedures where ADB, at the borrower's request pays a designated beneficiary directly.
- Commitment procedure where ADB at the borrower's request, provides an irrevocable undertaking to reimburse a commercial bank for payments made or to be made to a supplier against a letter of credit (LC) financed from the loan account.
- Reimbursement procedure where, ADB pays from the loan account to the borrower's account or, in some cases, to the project account for eligible expenditures which have been incurred and paid by the project out of the budget allocation or its own resources; and
- Imprest fund procedure where ADB make an advance disbursement from the loan account for deposit to an imprest account to be used exclusively for ADB's share of eligible expenditures.

While normally ADB requires submission of full supporting documents there are special cases where it accepts simplified documentation when,

- The statement of expenditure procedure involves the borrowers submitting an SOE to support an application.

- The force account works procedure involves the borrower submitting periodic certification of the progress or completion of the works in support of it's a application for reimbursement and;
- The simultaneous application for sub loan approval and withdrawal (SAW) procedure involves qualified DFLs submitting simplified supporting documents when they request reimbursement of expenditures and ADB's confirmation of sub loans below the set free limit.

2.6 REVIEW OF THE RELATED STUDIES

A development bank establish either by the government for (certain) balance development of that country or by private sector as the act provided by government while the private sector tries to do so, they should provide necessary kinds them. But we need to know what are their functions duties and responsibilities. We also describe their policies, strategies procedures from long run effectiveness. This should be understandable point.

General Principal of development bank is to provide loans to needy persons/groups who want to develop their socio-economic condition some people who have skill and knowledge but lack of money. The development banks will serve such people by providing loans. A development bank must care 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 client. [Diamond William (1960) Development Finance Companies P. 58]

Nirajan Prasad Dhungel, in his conclusion pointed out, "The disbursement policy also required timely modification. There should be healthy balance between the disbursement and realization of the money being lent". There is not generating incentives among the people. The gap between the total fund

and disburse amount will show the inefficiency of organization. [*Nirajan Pd. Dhungel (1978),].*

S. Shrestha recommended in his thesis, "The disbursement and collection should be simplified so that small farmer members should get credit easily. The unnecessary steps for the procedure should be avoided which enable the small (Farmers get the credit within a shorter period and get benefit quickly as [*S. Shrestha (1993)].*

M.Y. Khan has pointed out, "Development banking implies not only large mw 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; A part from a lot of public money being wasted this is like to impair the ability of their institutions to sustains the current level of their financing operations." In this connection the role of nominee directors assumes special significance." [M. Y. Khan (1982),].

These views are related to the disbursement and realization techniques of the financial institutions.

Joshi recommends in his thesis, "There is high demand far loan amount in the rural area however there is not sufficient supply. Therefore, the bank should increase its lending capacity from international economic and financial institutions at very low interest rate. If bank increase its lending capacity and provides loan to more rural poor, more people will be self employed by starting business, and consequently their poverty will be gradually alleviated and their life standard will be uplifted with their increased income. [Ambikeshwor P.D. Joshi (1995),].

Dr. Panth written in his article, "Given sufficient resources and good non-government banks or organizations appear to be more effective; to achieve the desired objective of poverty alleviation and the social dynamics should be properly understand to make the program self sustaining as well as making it more responsive to the actual needs to the poor." [H.D Panth

(1995) published in the economic Journal of Nepal, Department of economics, T. U. Vol 38, No. 2. Issue 70 P. 66]

Ghimire recommend in his thesis, "Poor recovery is the cause of weak supervision, high interest and other charges laid by the bank, political interference and poor liquidity of the barrowers." So, the recovery policy and procedure must be exercised strictly, Political interference and pressure must be neglected.

Bishnu Prasad Ghimire (2003), Disbursement and collection procedure of ADBN" MBS Thesis, T. U. P. 80]

Chand, has made a study on, "Loan disbursement and repayment of ADB/N, [Ganesh Bahadur Chand: Loan Disbursement and Repayment of Agricultural Development Bank of Nepal." Master Dissertation, Central Department of Management, T.U., 2000] The main objectives of the study were to see the loan disbursement and repayment situation in each years from 1982 to 1987. This study shows that the loan disbursement by ADBN and repayment of loan both are increasing. The loan collections of banks have shown movement in the same direction.

Sharma, has made a study on, "Analysis of loan Disbursement pattern of ADBL" [Chhabindra Nath Sharma, "Analysis of Loan Disbursement Patten of Agriculture Development Bank of Nepal." Master diss., Central Department of Economics, T.U., 2001] The main objective were of the study to analyze the purpose wise, term wise, type wise and region wise loan disbursement, collection and outstanding of ADBL/N during the seven years from 1992/93 to 1998/99. This study shows that ADBL/N credit was effective to increase agricultural production. After introducing the reform program (Reform Program 2054) Since 1997, there are improving service delivery mechanism for quality lending and timely collection, reducing over due loan and interest receivable increasing repayment rate, cutting down of overhead cost and there by making the ADB/N financially viable.

Singh, in her thesis work, "An Analysis of Role of ADB/N Financing. [*Jeni Singh, "An Analysis of Role of ADB/N in Financing Agriculture," Master diss., Central Department of Economics, T. U. 1995.* The objectives of the study were to study need for credit in Nepalese agriculture, to analyze the role of ADB/N in agriculture financing in Nepal and to analyze the present credit distribution pattern of ADB/N. The findings of the study are various loan institution agencies in our society like village money lenders, professional money lenders, agricultural traders, friends and relatives. The proportion of farm families borrowing from their private credit agencies was significantly higher than those borrowings from institutional agencies.

Shrestha, has made a study on, "A study on the impact of ADB/N in Agriculture Development in Nepal" with the objectives to see the impact of ADB/N in agriculture sector and how far ADB/N is successful in advancing loans and collecting those with farmers. [*Jayanti Shrestha, "A study on the Impact of ADB/N in Agriculture Development in Nepal. "Master diss., Central Department of Economics, T.U., 1989]* She has shown the relation of loan disbursement, repayment and outstanding. She has concluded that without the development of agriculture sector, it will be difficult to develop the economic condition of the country. Historical records have also shown that no country has moved from chronic stagnation in to the take off stage of economic development without first achieving substantial growth in agricultural production.

Satyal in his research work, "performance and evaluation of ADB/N made analysis on performance of ADBL/N, lending procedure of ADB/N and working of institutional financing in Nepal. [*Jaya Satyal. "Performance and Evaluation of ADBL/N, "Master diss., Central Department of Economics. T. U. 1985]* He has concluded that the ADB/N is the only one institution liable in the area of agricultural credit and spreading branch and sub branches to help institutionalized agricultural credit to the great extent. By spreading

networks all over country. Bank can challenges the savings of rural people. Bank should not concentrate to collect the resources within the country but it should tap external sources to accelerate its lending procedure. The bank has given top priority of cereal crop, cash crop production and agro based industries. Marketing and warehousing problems of small farmers are the most hindering factors in agriculture development today. To solve these problems, the bank has formulated the policy of disbursing loan huge amount to co-operative whose main task is to support small farmers. Small Farmer Development Program (SFDP) is gradually expanding its program in national level.

Yadav, has written a thesis on the topic, "Impact of ADBL/N on Agriculture Development in Nepal", in 1988. [*Jibachh Yadhav, "Impact of ADBLN on Agricultural Development in Nepal," Master diss., Central Depart of Economics, T.U., 1988.*] The objectives of his research are to analyze the performance of ADB/N and to analyze the impact of the working of ADB/N on modernization of agriculture in Nepal. This study is based on secondary sources. He has suggested to the government and policy makers of ADB/N that the process of taking loan from ADBL/N is long which farmer take them as very difficult so there should be simplicity in loan processing. The rate of interest should be low, as possible and ADB/N program should be simplicity in loan processing. The rate of interest should be simplicity in loan processing. The rate of interest should be small farmer oriented. The offices of ADBL/N mainly are concentrated in the headquarters of the districts. The hilly regions and the headquarters, should be covered by the services of ADBL/N. ADBL/N is not to remain only as a bank for loan but it should serve the Nepalese agriculturists as the consultant and change agent for improving agriculture. The bank should be free from any political pressure also.

Shrestha, in his thesis work, 'Performance Evaluation of ADB/N As a sources of Agricultural credit in Nepal' has analyzed that the procedures of

the bank and the different purposes and kinds of loan being provided to the farmers. [Mahendra Kumar Shrestha. "Performance Evaluation of Agriculture Development Bank As source of Agricultural credit in Nepal." Master diss., Central Department of Economics, T.U., 1989. He has concluded that ADB/N has been devised as an instrument for easy accessible of credit for poor farmers, but in its operation, mainly large and medium farmers have been benefited by its credit is mounting because of poor recovery situation due to misuse of loans in nonproductive use. He has suggested to the government and policy maker of ADB/N that the ADB/N credit provision must not be security based against loan rather it should be service oriented and ADB/N should keep watch over the farmers to make the loan uses properly. Complexity in the lending process of ADB/N should be avoided and recovery caps should be organized during recovery seasons in and around the areas where there are heavy over dues.

Bhattarai, in her dissertation, "Contribution of Agriculture Development Bank to Agriculture of Nepal" (1980) has concluded that the ADB/N plays a vital role in financial agriculture. [Shanti Bhattarai. "Contribution of Agricultural Development Bank to Agriculture of Nepal, "Master diss., Central Development of Economics, T.U., 1980.] She wrote, it is only one financial institution which is engaged in the agricultural development in Nepal. It provides purpose wise, period-wise, borrower wise and region wise loan at both grassroots level and national level. The primary objective of the bank is to help in increasing agricultural production. According to her major problem faced by the bank is that the collection of loan is very low due to the lack of strict supervision in the bank and in harvesting. Some farmers have been using credit for consumption purposes. To make an effective use of bank credit, farmers needed an integrated package service system investing agricultural extension, inputs supplied, output marketing, storage and processing facilities.

CHAPTER THREE

3. RESEARCH METHODOLOGY:

3.1. GENERAL INTRODUCTION:

Research methodology refers to be various sequential steps to the adopted by a 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 [*C.R. Kothari (2001),*].

It is the plan structure and strategy of investigations conceived to answer the research question or test the research hypothesis. [*H.K Wolf & P.R. Pant (2002)*].

The basic objective of this study is to highlight the disbursement and collection procedure of ADBL. For systematic analysis of related data and information proper research methodology is necessary. Research methods helps to analyze, examine and interpretation of data and information in research work. This chapter looks into research design period covered, the nature and sources of data research variables and tools used.

3.2. RESEARCH DESIGN:

Research design is the plan structure and strategy to obtain answer to research questions through investigation and analysis. The research design of this study is descriptive as well as analytical. This study is "Loan management" of ADBL. These available information from primary and secondary sources are based to examine, explain and evaluate the, disbursement and collection situation of ADBL.

3.3. PERIOD COVERED

The present study covers a time period of five years from F.Y 2059/60 to F.Y. 063/64. The analysis is mainly based on these last 5 years data and information.

3.4. NATURE AND SOURCES OF DATA:

Having decided the problem and its scope, the next point is to determine the sources from which the data are to be collected. The persons or organizations that have collected the data and the reports and publications in which the data are published are known as sources of data. Data may be obtained from two sources: Primary sources and Secondary sources.

3.4.1 Primary data:

The data which are originally collected by an investigator or an agent for the first time for the purpose of statistical enquiry are known as primary data. The data is thus original in character. These types of data are obtain in the survey and enquires conducted by government, some individuals, institutions and research bodies. For examples: An investigator wants to study the salaries of teachers working in the campuses. Then the data collected for this purpose by the investigator himself or with the help of his representative are primary data.

Methods of Collecting Primary Data:

The various methods with which the primary data can be collected are as follows:

- Direct personal interview
- Indirect oral interview
- Information's through correspondents

3.4.2 Secondary data:

Data which are originally collected but obtained from some published or unpublished sources are "Secondary data". This types of data is not original in character for examples: The

reports and publications made by central Bureau of statistics are primary for that organization but secondary for those who use it.

Sources of Secondary Data:

Use of primary data is not always practicable due to the availability of time, Money and so on. So, in such cases the investigator uses the data which have already been collected and used by others. There is a lot of published and unpublished information from which the further studies can be made. The sources of such data i.e. Secondary data can be classified under the following two headings:

1. Published Sources: The various sources of secondary data are the:

- a) Reports and official publications
 - b) Semi-official publications
 - c) Private publications
 - d) E-mail and Internet
- a) Reports and official publication: The following are the publications made by international agencies. International bodies such as international monetary fund, International finance corporation, United Nations Organization, World Health Organization, International Labour organization, World Bank, International Statistical Education Institute, Economic and social commission for Asia Pacific etc.

The following are the publications made by the government *organizations*:

- Reports of pay commission, National population commission.
 - Population census carried on by central Bureau of statistics.
 - Publications made by different ministries such as ministry of industry of industry & commerce, Ministry of education, Ministry of health, ministry of finance etc.
- b) Semi official publication: The semi governments organization some of which are:

- Industrial service center
 - Nepal Food Corporation
 - NIDC are the semi official publications.
- c) Un-official or private publication : Some of the private organizations from which the secondary data can be obtained are mentioned below:
- Trade and professional organization such as Nepal Chamber of Commerce.
 - Financial and economic journals
 - Trade associations, Market report, magazine
 - Publications brought out by research agencies and research scholars.
- d) Email and Internet: Taking information from direct email to the bank related department those information are not included in the other sources. Another reliable sources is Internet, various web sites of bank including ADBL.

2. Un published sources:

All are statistical information may not be in the published from some of them may be in an unpublished from there are various sources of unpublished statistical materials such as the records maintained by private form, business enterprises; various departments and offices of government, hospital records, research carried out by the individual research scholars in the university or research institutes.

Both primary and secondary data have been used in this research report. Primary data are basically based on supplementary questionnaire as well as oral information from executives and departmental employees unstructured dialogues and discussion is also helpful for this purpose.

Secondary data have been taken from 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 related to this study, are collected from the publication of ministry

of Finance, Publications of National Planning Commission, Central Bureau of statistics, Auditors General Reports, News papers previous dissertations, research reports related to ADBL and other related publications.

3.5 RESEARCH VARIABLES:

Loan disbursement, collection, interest collection, repayment rate, outstanding loan interest and time period of ADBL are the main research variables of the present study.

3.6 TOOLS USED IN RESEARCH:

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

Statistical Analysis:

Various statistical tools can be used in research in order to draw the reliable conclusion according to the financial data available to the researcher. For this purpose following statistical tools are used by the researcher in this study.

Arithmetic Mean :

According to professor Bowley, average are "Statistical constant which enable us to comprehend in a single effort the significance of the whole." Out of the different measures of the average, arithmetic mean is the most popular one. Arithmetic mean of a set of observation is their sum divided by the numbered observations. It is given by :

$$\bar{x} = 1/N(x_1 + x_2 + \dots + x_n)$$

and simplify, $\bar{X} = \frac{\sum X}{N}$

Correlation Analysis :

The study of intensity of degree of linear relationship between variables is known as zero orders correlation coefficient and it was developed by Karl Person.

The formula computing Pearson's for correlation coefficient between two random variables X and Y is as follows and denoted by r (x,y) :

$$r(x, y) = \frac{\text{cov}(x, y)}{\sigma_x \cdot \sigma_y}$$

It can be calculated as mentioned below by using direct method.

$$r(x, y) = \frac{N \sum XY - (\sum X)(\sum Y)}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

"Correlation coefficient cannot exceed unity numerically. It always lies between - 1 and +1. If r= +1, the correlation is perfect and positive and if r = -1, correlation is perfect and negative. [S. C. Gupta and V.K. Kapoor, *Fundamental of Mathematics Statistics (A Modern Approach)*, New Delhi, Ninth Extensively Revised Edition, 1994 (reprint 1999), P. 10.3]

If r=0 than it merely implies there is no any linear relationship between the variables X and Y. There may, however, exist relationship between them in some other form, e.g. quadratic, Cubic or trigonometric.

Probable Error of Correlation Coefficient [P.E.(r)]

The probable error determines the reliability of an observed correlation coefficient.

It is obtained by :

$$\text{P.E.}(r) = 0.6745 \times \frac{1-r^2}{\sqrt{N}}$$

Where, r = Correlation coefficient between given variables.

N = No. of pairs of observation.

If $r > 6 \times P.E.(r)$, the coefficient of correlation practically certain i.e. value of ' r ' is definitely significant.

Regression Trend Analysis:

"Regression analysis is a mathematical measure of the average relationship between two or more variables in terms of the original units of the data." [*Ibid.*, P. 10.49]

It is performed between two types of variables one independent, known also repressor or explanatory or predicts for variable and another is dependent, also known as regressed or explained variable.

"The line of regression is the line which gives the best estimate to the value of one variable for any specific value of the other variable. Thus the line regression is the line of 'Best fit' and is obtained by the principles of least squares. [*Ibid.*, P.10.49]

The line of regression of y on x , using least square method can be written as:

$$y = a + bx$$

Where,

y = dependent variable

x = independent variable

a and b are arbitrary constants.

According to the principle of least squares, the normal equations for estimating a and b are :

$$\sum y = Na + b \sum x$$

$$\sum xy = a \sum x + b \sum x^2$$

"Thus the main purpose behind the regression analysis is to establish the regression relationship through a functional relationship between the dependent and the independent variables and then use this to predict the values for the dependent variables."

Diagrammatic and Graphical Representation:

Diagrams and graphs are visual aids that give eye view of a given set of numerical data. They represent the data in simple and readily comprehensive form. Diagrams are primarily used for comparative studies and can't be used to study the relationship between the variables under study. Which are shown through graphs.

Regression/Trend Analysis:

Trend analysis, based on least square method, is very useful since it predicts the future value of dependent variable on the basis of past tendencies of the variable. It is based on the assumption that past tendencies continues in the future also.

Regression lines are expressed algebraically by the equation of the straight lines called regression equation. Since there are two regression lines there are two regression equations, the regression equation of x on y and the regression equation of y on x. The regression equation of y on x is used to describe the change in y-values for a given change in x-values whereas the regression equation of x on y is used to describe the changes in x-values for a given changes in y-values.

Here also the two variables will be considered and the changes in one's values for a given change in other's values will be described. The regression equation of y on x is expressed as:

$$y = a + bx$$

Where, a = numerical constant which determines the distance of the fitted line directly above or below the origin (i.e. y-intercept)

b= numerical constant which determines the change in y per unit change in x
(i.e. slope of the line)

y= dependent variable

x= year -2060/61 (regarding the data used in the study)

(trend value will be denoted by Ye)

To find the value of a and b two normal equations are solved.

$$\sum y = Na + b \sum x$$

$$\sum xy = a \sum x + b \sum x^2$$

By using the trend equations as mentioned above, future values of the following variables for the coming five years have been predicted.

- Investment
- Outstanding Loan
- Collection Loan
- Total Deposit
- Interest rate
- Repayment rate

3.7 POPULATION AND SAMPLE SIZE:

Loan management of ADBL is the population of the study; out of these, five years (i.e. Fiscal year 059/59 to 063/64) are the sample size and these five years taken as the sample for the study.

3.8. PRESENTATION AND ANALYSIS OF DATA:

This study is descriptive in nature, collected data are arranged in the table and study by the help of statistical method to see the significance answer of what are the causes of non and delayed repayment, primary and secondary data helps for the study. Basically primary data study in descriptive ways.

CHAPTER-FOUR

4. DATA PRESENTATION AND ANALYSIS

4.1 GENERAL INTRODUCTION

The main purpose of this study to highlight the loan management of ADBL. For this purpose ADBL has been selected. To achieve the mentions objectives, this chapter of the study analyze the various data of ADBL.

This chapter is the main context of the study that are dealt with in this chapter relates exclusively to the loan management of ADBL. Here, it is attempted to study the collection situation of loan amount disbursed by ADBL. In this study, it is also tried to study some possible causes of non and delayed replacement of loan by the help of primary data. For the purpose presentation and analysis proceeds along the answer to the research question which are thus different mentioned in this unit. For this purpose the study covers the period of five years from F/Y 2059/060 to 2063/064.

4.2 Analysis of Secondary Data

4.2.1 Trend Analysis of Loan Investment for F/Y 2059/060 to 2063/064

TABLE 4.1 PURPOSE WISE LOAN DISBURSEMENTS

Amount in thousand

S.No.	Purpose	2059/060	2060/061	2061/062	2062/063	2063/064
1	Cereal crops	772538	649519	594191	422713	372518
2	Cash crops	1348971	1196102	1361952	1376775	1485332
3	Marketing	28893273	3139002	4026215	4970247	5781329
4	Agri-tools	757676	882200	516742	381136	275044
5	Irrigation	49824	12541	18380	14622	16330
6	Livestock	1634038	1594604	1842069	1872723	1951741
7	Agri-cott. industries	1929612	1698831	1500261	1581146	1498547
8	Bio-gas	96847	65075	71414	39670	21783
9	Land development	–	5819	7483	8529	9733
10	Horticulture	48227	32633	38710	31909	33857
11	Go down & cold storage	49090	62282	7405	38714	40592
12	Tea/Coffee	52179	40804	36499	23560	18347
13	Non-Agri loan	446582	1069157	0	2093529	3175371
14	Tourism	20772	–	1795036	0	2087194
	Total	36099629	10448569	11816357	12855273	16767718

Source : ADBL Provisional Report MIS Division ADBL.

The total investment of loan in development financing increases from Rs. 10.11 billion in 2059/060 to Rs. 16.78 billion in 2063/064 registering an annual growth trend of Rs. 6.67 billion or 6.025 percent. Portfolio wise, highest investment has been in marketing in lowest investment in land development.

However investment growth rate was highest in non-agri loan and lowest in bio-gas. The investment table emphasizes incremental trend of investment except in the portfolio like irrigation, bio-gas and land development.

4.2.2. Trend Analysis of Loan Collection For F/Y 2059/060 to 2063/064

BLE 4.2 PURPOSE WISE LOAN COLLECTION RS 'OOO'

Amount in thousand

S.No.	Purpose	2059/060	2060/061	2061/062	2062/063	2063/064
1	Cereal crops	761656	694722	678700	539507	603315
2	Cash crops	1058120	1054023	1187012	1271041	1315072
3	Marketing	2218121	2680841	3238128	4298041	5279310
4	Agri-tools	769132	643502	623053	553919	467951
5	Irrigation	77574	42708	42082	31230	23974
6	Livestock	1367918	1463051	1679767	1779750	1914537
7	Agri-cott. industries	1531211	1606177	1504162	1556582	1483290
8	Bio-gas	108130	89404	83437	77044	70881
9	Land development	20538	7695	9221	113820	218472
10	Horticulture	49486	40684	49988	51930	63417
11	Go down & cold storage	37744	44104	31744	11788	13755
12	Tea/Coffee	25877	14730	25933	27813	33859
13	Non-Agri loan	134872	696774	1177646	1631637	2315980
14	Tourism	12943	–	–	–	15841
	Total	8173322	9078415	10330873	11944102	13819654

Source : ADBL Provisional Report MIS Division ADBL.

In F/Y 2059/060 Bank can success to return in tourism investment. The total loan collect of the development financing increased from Rs. 8.17 billion in F/Y 2059/060 to Rs. 13.82 billion in 2063/064 registering an annual growth trend of Rs. 5.65 billion portfolio wise, highest collection, has been in marketing followed by agricultural industry and lowest collection is on Tourism. However, collection growth rate was highest in tea and coffee followed by Marketing and lowest in tourism. The collection table emphasizes incremental trend of collection except in the portfolio like irrigation and bio -gas.

4.2.3 Trend analysis of loan outstanding for F/Y 2059/060 to 2063/064

TABLE 4.3 PURPOSE WISE LOAN OUTSTANDING

Rs. in thousand

S.No.	Purpose	2059/060	2060/061	2061/062	2062/063	2063/064
1	Cereal crops	1422340	1377137	1292628	1175834	984539
2	Cash crops	2304349	2446428	2621368	2727102	2854305
3	Marketing	3533371	3991532	4779619	5451825	6349770
4	Agri-tools	223638	2487425	2381114	2208331	2153327
5	Irrigation	264672	193471	167969	153161	129564
6	Livestock	3798031	3929584	4092568	4185559	4477341
7	Agri-cott. industries	3002434	3095088	3091187	3116021	3198522
8	Bio-gas	264672	240343	228320	190946	175137
9	Land development	63105	52172	50434	47581	41378
10	Horticulture	236802	228751	217473	197452	199543
11	Go down & cold storage	292529	310707	286368	313354	347099
12	Tea/Coffee	535467	558541	569107	564854	579433
13	Non-Agri loan	386381	758764	1376154	1838046	2357109
14	Tourism	7829	10311	9817	11536	8450
	Total	16335620	19680254	21164126	22181602	23855517

Source : ADBL Provisional Report MIS Division ADBL.

The total outstanding loan of the development financing increased from Rs. 16.67 billion in F/Y 2059/060 to Rs. 23.86 billion in F/Y 2063/064. Portfolio wise highest outstanding loan has been in marketing followed by livestock and lower outstanding is in tourism. The outstanding table emphasizes in increment trend of outstanding except in the portfolio like irrigation and biogas.

4.2.4. Trend Analysis of Deposit mix for F/Y 2059/060 to 2063/064

TABLE 4.4 DEPOSIT MIX OF FIVE YEARS

Rs. in thousand

Year	Current	Saving	Fixed	Others	Total
2059/060	543975	4514961	4619597	-	9678533
2060/061	640947	5976927	5414676	-	12032550
2061/062	801534	8232213	5504364	-	14538111
2062/063	1201294	10257280	5182279	-	16640853
2063/064	1289303	10955515	7721113	-	19965931

Source : ADBL's Annual reports of Various Years MIS Division, ADBL

The total deposit collection in commercial banking sector increased from Rs.9.68 billion in 2059/060 to Rs. 19.97 billion in 2063/064 registering an annual growth trend of Rs. 21 billion or 10.5 percent.

The deposit collection in the current account increased from Rs. 543 million in 2059/060 to Rs. 1289 million in 2063/064 registering an annual growth trend of Rs. 146.7 million or 11.4 percent. The deposit collection in the saving account increased from Rs. 4515 million in 2059/060 to Rs. 10955 million in 2063/064 registering an annual growth trend of Rs. 1429.5 million or 13%. Similarly the deposit collection in fixed account increased from Rs. 4619 million in 2059/060 to Rs. 7721 million in 2063/064 registering an annual growth trend of Rs. 524.4 million or 6.8 percent.

4.2.5 Trend analysis of loan investment collection and outstanding for FY 2058/060 to 2063/064 in Commercial Banking.

TABLE 4.5 STATEMENT OF BANKING LOAN

Amount in thousand

Fiscal Year	Disbursement	Collection	Outstanding
2059/060	2298644	2009808	3511608
2060/061	4294979	3967709	3838878
2061/062	6516599	5880172	1175305
2062/063	8456506	7365219	5566592
2063/064	10456452	9634487	6388557

(Source : ADBL Annual reports of various years, MIS division, ADBL)

The total loan investment of the commercial banking increased from Rs. 2.3 billion in 2059/060 to Rs. 10.45 billion in 2063/064 registering on annual growth trend to Rs. 1.42 billion or 13.6% the total collection increased from Rs. 2.01 billion in 2059/060 to Rs. 9.69 billion registration an annual growth trend of 1.43 billion or 13.9% similarly the outstanding increased from Rs. 3.51 billion in 2059/060 to 6.38 billion in 2063/064 registering an annual growth trend of Rs. 649.4 million or 9.7 percent.

TABLE 4.6 ANNUAL INTEREST COLLECTIONS

In thousand

S.No.	Particulars	2059/060	2060/061	2061/062	2062/063	2063/064
1	Interest Collection	1669406	1717615	2017805	2149862	2344432
	Total	1669406	1717615	2017805	2149862	2344432

Source : ADBL's annual reports of various years, MIS Division ADBL

The total interest collection increased from Rs. 1.67 billion in 2059/060 to Rs. 2.34 billion in 2063/064 registering an annual growth trend of Rs. 48 million or 2.88 percent.

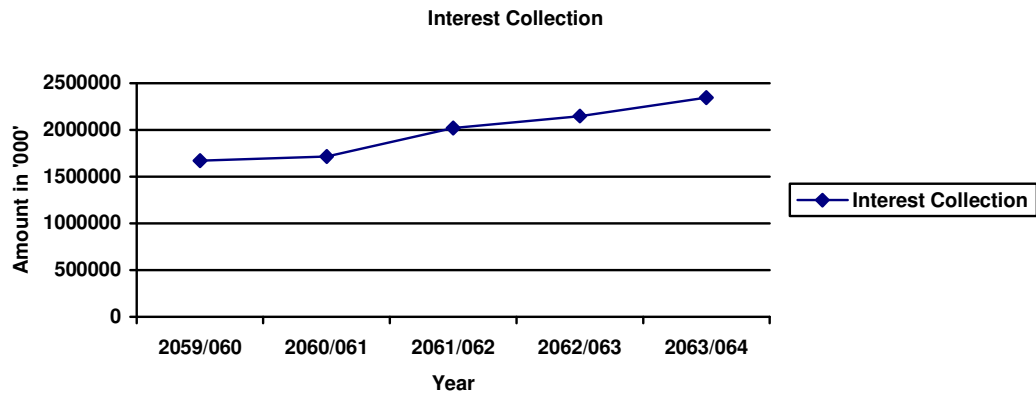


FIG 4.1 ANNUAL INTEREST COLLECTIONS.

4.2.6 TREND ANALYSIS OF REPAYMENT RATE

TABLE 4.7 ANNUAL REPAYMENT RATE

S.No.	Particulars	2059/060	2060/061	2061/062	2062/063	2063/064
1	Repayment Rate %	47.35	53.16	54.18	60.31	62.39
	Total	47.35	53.16	54.18	60.31	62.39

[Source : ADBL's annual reports of various years, MIS Division ADBL]

The annual repayment rate increased from 47.35 percent in 2059/060 to 62.39 percent in 2063/064 registering on annual growth 2.4 percent. The trend of increasing in some slower in the last year.

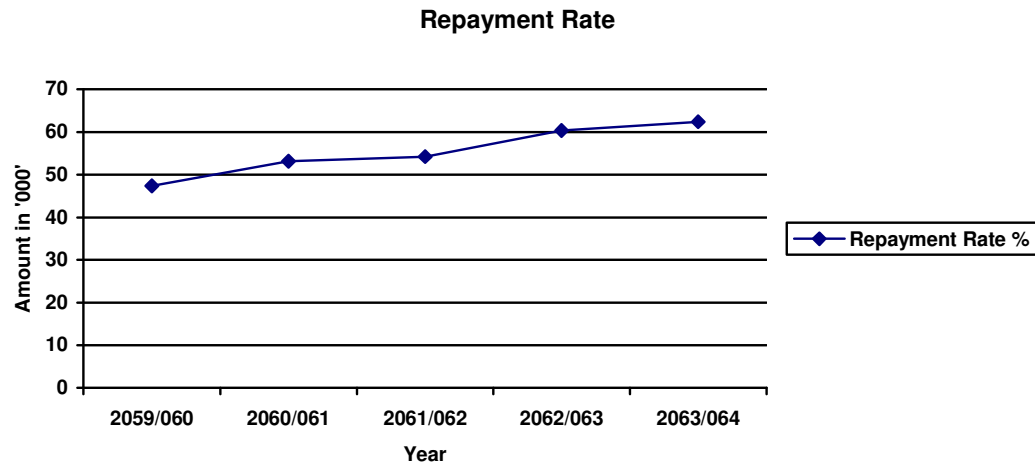


FIG: 4.2 ANNUAL REPAYMENT RATE

4.2.7 TERM WISE LOAN DISBURSEMENT

TABLE 4.8 TERM WISE LOAN DISBURSHMENT

Amount in Thousand

S.No.	Term	2059/060	2060/061	2061/062	2062/063	2063/064
1	Short	4355957	5500496	6053780	7777394	8863264
2	Medium	4326633	4435434	3559070	3954049	3898096
3	Long	206271	179341	135719	82614	94183
	Total	8888861	10115271	9748569	11814057	12855543

[Source : ADBL's annual reports of various years, MIS Division ADBL]

The short term loan investment of the ADBL increase from Rs. 4355957 thousand in 2059/060 to Rs. 886364 thousand in 2063/064. Medium term loan disbursement is decreasing from Rs. 4326633 in thousand 2059/060 to 3898096 thousand in 2063/064. The long term loan is also decreasing way from Rs. 206275 thousand in 2059/060 to Rs. 94183 thousand in 2063/064.

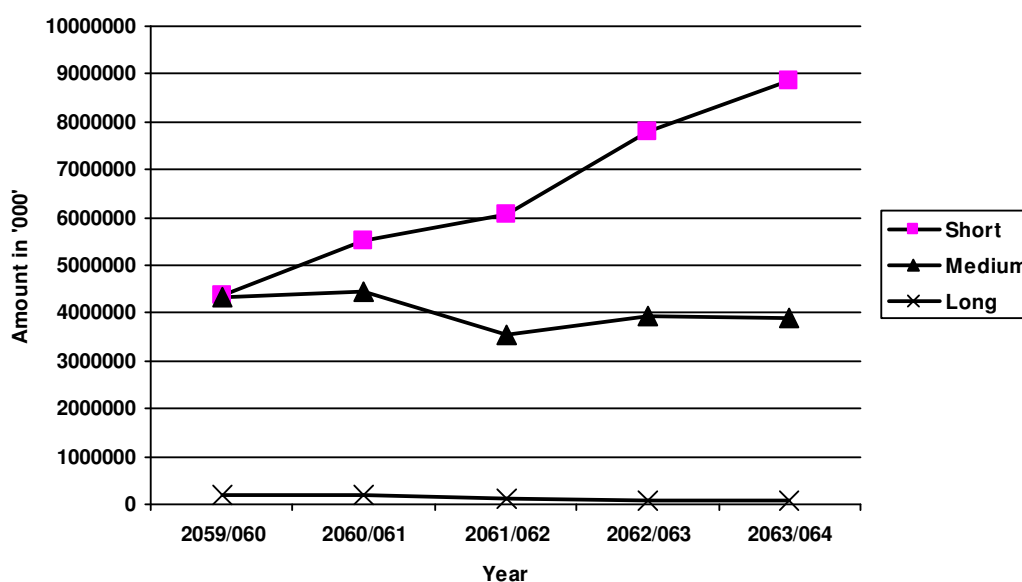


FIG: 4.3 TERM WISE LOAN DISBURSEMENT

4.2.8 TERM WISE LOAN COLLECTION

TABLE 4.9 TERM WISE LOAN COLLECTION

Amount in Thousand

S.No.	Term	2059/060	2060/061	2061/062	2062/063	2063/064
1	Short	3456193	2944613	5126360	6281486	7740226
2	Medium	3458592	4055154	3852537	3941722	4009907
3	Long	81732	198390	98518	107665	91471
	Total	6996517	7198157	9077415	10330873	11841604

[Source : ADBL's annual reports of various years, MIS Division ADBL]

The short period loan collection is increased from Rs. 3456193 thousand in F.Y. 2059/060 to Rs. 7740226 that and in F.Y. 2063/064. Medium term loan collection is also increasing way from Rs. 3458542 thousand in F.Y. 2059/060 to Rs. 4009907 thousand in F.Y. 2063/064. The long term loan collection also increases in Rs. 81732 thousand in 2059/060 to Rs. 91471 thousand in F.Y. 2063/064. Thus total loan collection trend is in increasing point.

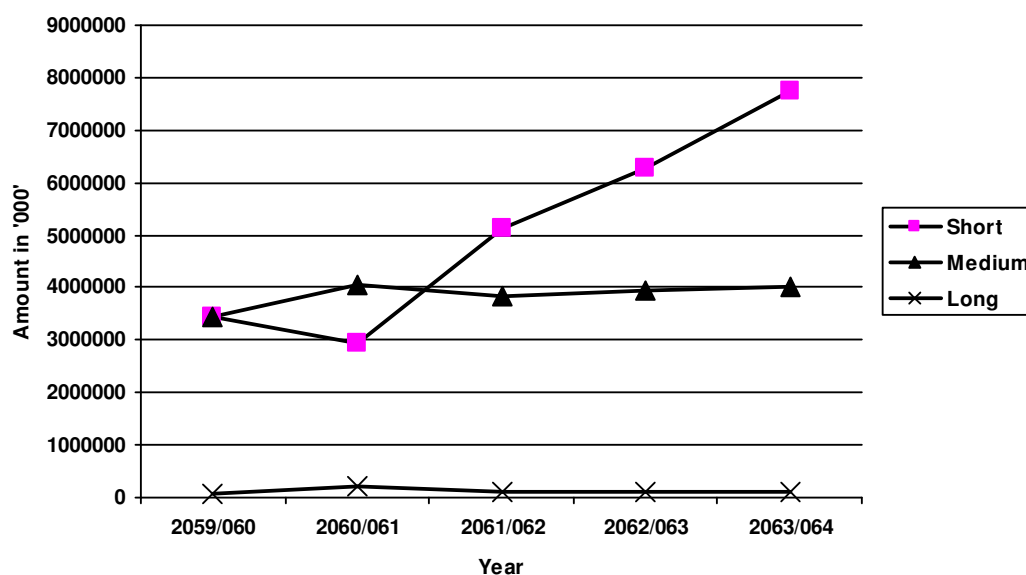


FIG : 4.4 TERM WISE LOAN COLLECTION

4.2.9 TERM WISE LOAN OUTSTANDING

TABLE 4.10 TERM WISE LOAN OUTSTANDING

Amount in Thousand

S.No.	Term	2059/060	2060/061	2061/062	2062/063	2063/064
1	Short	6286975	7387211	8573861	10086655	11192802
2	Medium	9353125	9416084	10005912	10003410	9909428
3	Long	1033636	1812380	1107056	1082948	1084717
	Total	16673736	18615675	19686829	21173013	22186947

[Source : ADBL's Provisional Report, MIS Division ADBL]

The short loan outstanding increase from Rs. 6286975 thousand in 2059/060 to Rs. 11192807 thousand in 063/064. Medium term loan outstanding is also in increasing trend. This loan outstanding increased from Rs. 9353125 thousand in 2059/060 to Rs. 9909428 thousand in 2063/064 . The long term loan outstanding increased from Rs. 1033636 thousand total loan outstanding trend also is in increasing way.

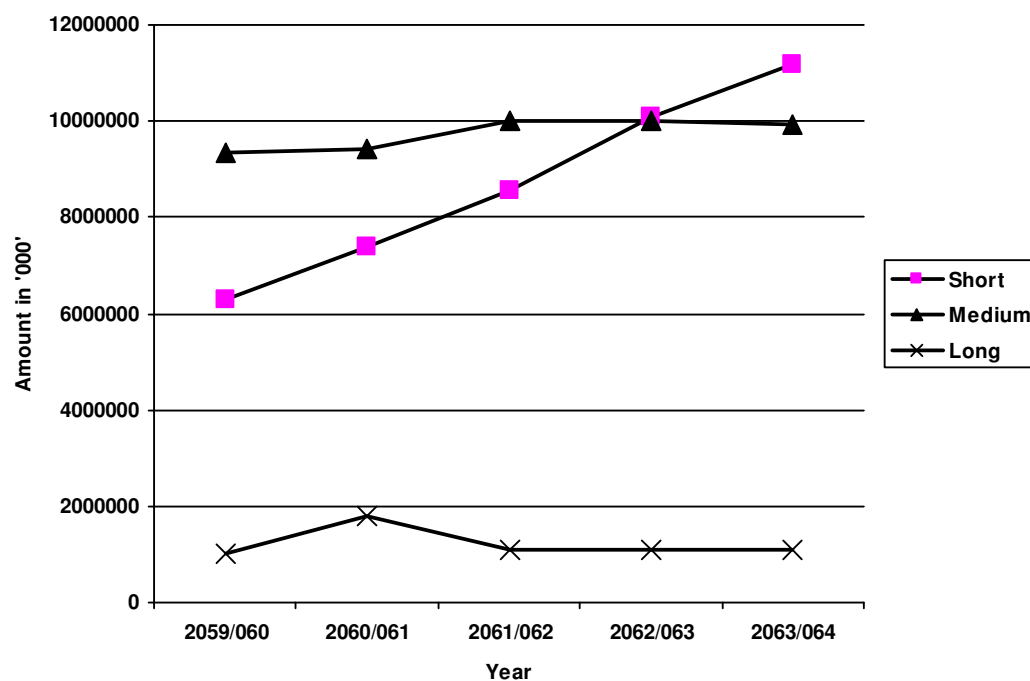


FIG : 4.5 TERM WISE LOAN OUTSTANDING

4.2.10 DEVELOPMENT REGION WISE LOAN DISBURSEMENT

TABLE : 4.11 DEVELOPMENT REGION WISE LOAN DISBURSEMENT

Amount in Thousand

S.No.	Region	2059/060	2060/061	2061/062	2062/063	2063/064
1	Eastern	2179322	2322197	2214759	2514759	2614272
2	Central	2716936	2902464	2472635	3002421	3202246
3	Western	2632923	2657922	1986338	2566441	2777211
4	Mid Western	753191	1514397	1705637	1855332	2055221
5	Far Western	606489	718291	1769200	1878104	2206593
	Total	8888861	10115271	10148569	11817057	12855543

[Source : ADBL's Provisional Report, MIS Division ADBL]

Total loan investment is in increasing way the maximum loan investment is in central region that is Rs. 3202946 thousand and minimum loan investment is in mid western i.e. Rs. 2055221. The maximum increase in investment is in far western development region. There is loan investment is in Rs. 606489 thousand is in 059/060 and it increase by Rs. 2206593 thousand is in 2063/064.

4.2.11 DEVELOPMENT REGION WISE LOAN COLLECTION:

TABLE 4.12 DEVELOPMENT REGION WISE LOAN COLLECTION

Amount in Thousand

S.No.	Region	2059/060	2060/061	2061/062	2062/063	2063/064
1	Eastern	1604031	2035213	2429525	2885661	3082360
2	Central	2227532	2605405	3067565	3222141	3561184
3	Western	1803533	2204938	2712556	3072704	3460102
4	Mid Western	666252	140777	600396	922940	1236870
5	Far Western	696169	211824	267363	227427	501088
	Total	6997517	7198157	9077405	10330873	11841604

[Source : ADBL's Provisional Report, MIS Division ADBL]

The total loan collection in development region wise increased from Rs. 8.89 billion in F/Y 2059/060 to Rs. 11.84 billion in 2063/064 on portfolio wise highest collection has been in central development region followed by western development region the collection table emphasizes that the collection trend is increasing. So we can say the ADBL can get success to collection their loan in the increasing way.

4.2.12 DEVELOPMENT REGION WISE LOAN OUTSTANDING

TABLE 4.13 DEVELOPMENT REGION WISE LOAN OUTSTANDING

Amount in Thousand

S.No.	Region	2059/060	2060/061	2061/062	2062/063	2063/064
1	Eastern	4783861	4803832	5303832	60003832	6113852
2	Central	5450452	6400452	6500452	6617452	7312690
3	Western	3538629	3608629	3708629	4208629	4308629
4	Mid Western	1403375	2003375	2203375	2503375	2512256
5	Far Western	1497419	1799387	1970541	1839725	1939252
	Total	16673736	18615675	19686829	75173013	22186679

[Source : ADBL's Provisional Report, MIS Division ADBL]

The total outstanding loan of the development region wise in highest on central development region i.e. Rs. 7312690 thousand and lowest outstanding loan is far western development region i.e. Rs. 1939252 thousand. The outstanding loan emphasized that the incremental trend of outstanding loan.

4.2.13 TOTAL LOAN DISBURSEMENT, COLLECTION AND OUTSTANDING

TABLE 4.14 TOTAL LOAN DISBURSEMENT, COLLECTION AND OUTSTANDING (2059/060-2063/064)

Amount in Thousand

S.No.	Fiscal Year	Disbursement	Collection	Outstanding	% of Coll. to Disb.	% of coll. to outstanding
1	2059/060	8898641	6997517	16673736	75.64	41.98
2	2060/061	10115271	8173332	18615675	80.80	43.91
3	2061/062	10148569	9077415	19686829	89.45	46.11
4	2062/063	11817057	10330873	21173013	87.42	48.79
5	2063/064	12855543	11841604	22186952	92.11	53.37
Average Percentage					85.68	96.83

[Source : ADBL's Provisional Report, MIS Division ADBL/N]

Let us first see the trend of loan disbursement collection and outstanding in different fiscal year covered by the study are. Table 4.3.14, shows that, the flow of disbursement loan has gone up from Rs. 8898641 thousand in 2059/060 to Rs. 10115271 thousand in 2060/061. The collection and outstanding loans also have up from Rs. 6997517 thousand and 16673736 thousand in fiscal year 2059/060 to Rs. 11841604 thousand and Rs. 22186952 thousand in fiscal year (FY) 2063/064).

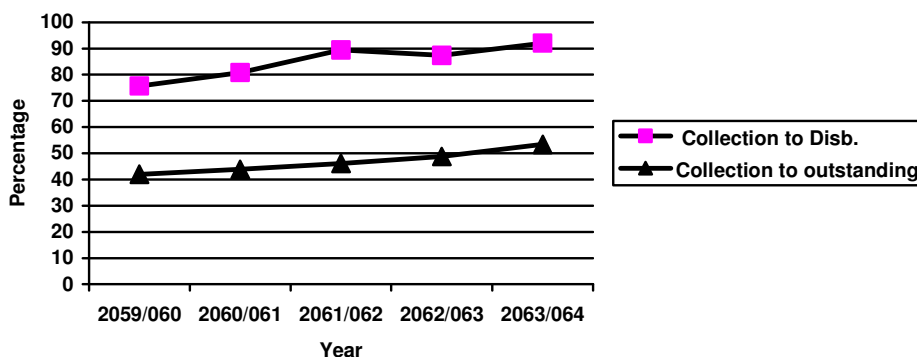


Fig: 4.6 Percentage of collection to Disbursement and Outstanding

The data from Table 4.14 is plotted in figure 4.3, with percentage in vertical axis and fiscal year on the horizontal axis viewing the figure 4.6, the percentage of collection to disbursement was highest in the F/Y 2063/064 i.e. 78.64 percent. The percentage of collection to disbursement in F.Y. 2059/060 was 41.98 percent and in F.Y. 2063/064 was 53.37 percent. It was also been increasing way in overall percentage of collection to Disbursement is increasing trend during the observation period i.e 2059/2060 to 2063/2064.

TABLE 4.15 PERCENTAGE AND ANNUAL GROWTH
DISBURSEMENT LOAN : AVERAGE GROWTH RATE PER ANNUAL

				Amount in Thousand
S.No.	Fiscal Year	Disbursement	Percentage (%)	Annual growth. %
1	2059/060	8898641	16.53	–
2	2060/061	10115271	18.79	13.67
3	2061/062	10148569	18.85	3.19
4	2062/063	11817057	21.95	16.44
5	2063/064	12855543	23.89	8.84
	Total	53835081		10.535

[Source : Annual reports of corresponding year ADBL]

Table 4.3.15 shows that ADBL's aggregate loan disbursement reached to Rs. 12855543 thousand in the F./Y. year 2063/2064 from Rs.8898641 thousand in the fiscal year 2059/2060. Which was shown an average growth rate per annum is 10.85 percent.

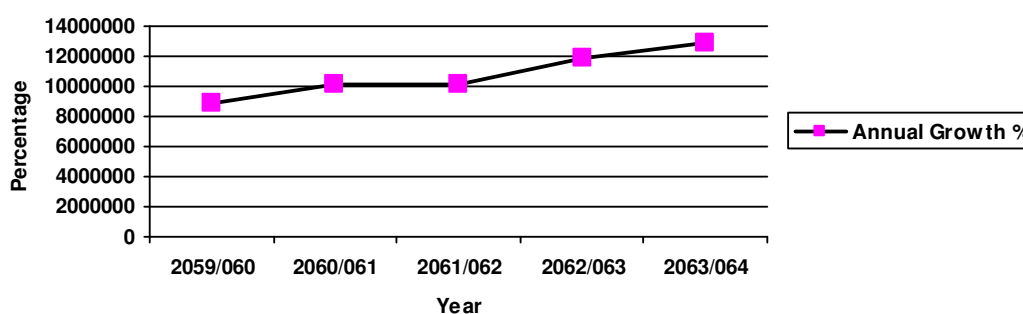


FIGURE 4.7 MOVEMENT OF LOAN DISBURSEMENT OF ADBL. (2059/060 TO 2063/064)

The data from the table 4.15 is plotted in figure is 4.7 with loan disbursement on the vertical axis and fiscal years on horizontal axis. From the figure, it is clear that the annual growth rate of each is increase between the FY 2059/060 to 2063/064 the year to year growth rates of loan disbursement of ADBL varied from a lowest is 3.19% in year 2061/062 to a highest 16.44 percent in F.Y. 2062/063. It was increasing with diminishing marginal rate in 2060/061 then after, it was increasing at the increasing rate in year 2061/062 and finally. It was increasing in diminishing marginal rate the least square trend line of loan disbursement:

$$Y = 10766+961.6x$$

TABLE 4.16 PERCENTAGE AND ANNUAL GROWTH OF COLLECTION
LOAN: AVERAGE GROWTH RATE PER ANNUAL.

Amount in Thousand

S.No.	Fiscal Year	Collection	Percentage (%)	Annual growth. %
1	2059/060	6997517	15.07	–
2	2060/061	8173332	17.61	16.85
3	2061/062	9077415	19.56	11.07
4	2062/063	10330873	22.25	13.75
5	2063/064	11841604	25.5	14.65
	Total	46420741		

[Source : Annual reports of ADBL MIS Division]

Table 4.16 shows that ADBL total principal collection increased from Rs. 6997817 thousand in F.Y. 2059/060 to Rs. 11841604 thousand in F.Y. 2063/064, which has shown on average growth rate 14.08 percent per annum.

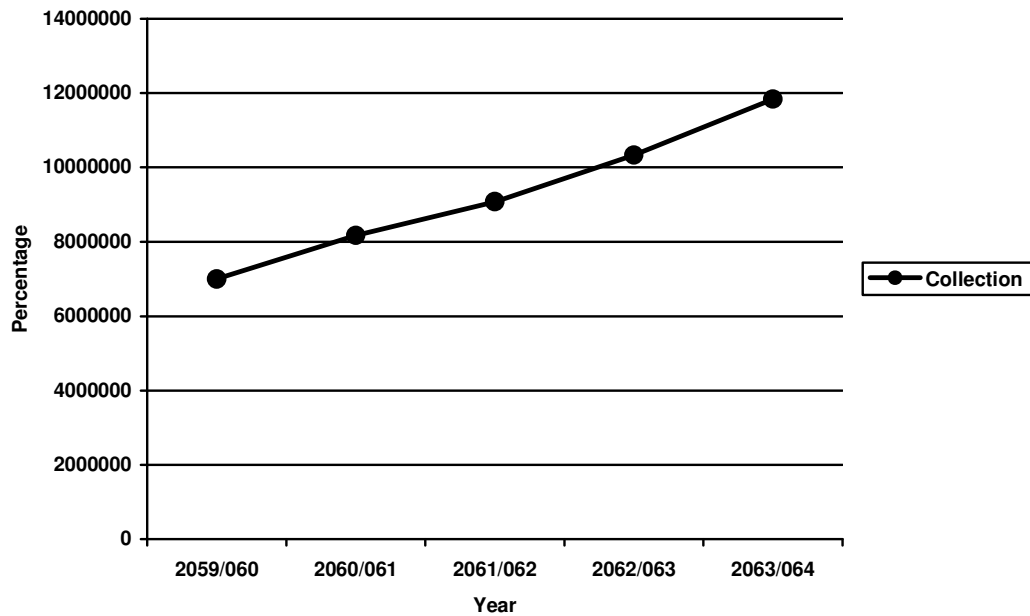


FIGURE : 4.8 MOVEMENT OF COLLECTION LOAN OF ADBL (2059/060 TO 2063/064)

The data of Table 4.16 are plotted in figure 4.8 with loan collection on the vertical axis and fiscal year on horizontal axis from the figure 4.8, it is clear that the annual growth rate of year. Year in increasing between the F.Y. 2059/060 to 2063/064 the year to year growth rates of principle collection of ADBL varied from a lowest 11.07 in 2061/062 to highest 16.85 percent in 2060/061. In the F.Y. 2060/060, it is increased with marginal rate of 16.85 percent. Then after it is increasing with diminishing marginal rate in the F.Y. 2060/061 in the 2062/063, the growth rate increase at the increasing rate in the FY 2063/064 it increased with increasing rate.

Lease square trend line of principal collection:

$$Y = 9283.8 + 1184.6x$$

TABLE 4.17 PERCENTAGE AND ANNUAL GROWTH OF OUTSTANDING LOAN: AVERAGE GROWTH RATE PER ANNUAL

Amount in Thousand				
S.No.	Fiscal Year	Outstanding Loan	Percentage (%)	Annual Growth %
1	2059/060	16673736	16.96	–
2	2060/061	18615675	18.93	11.61
3	2061/062	19686829	20.02	8.87
4	2062/063	21173013	21.53	7.5
5	2063/064	22186952	21.55	10.0
	Total	98336205		9.5%
Average growth rate per annum				9.5%

[Source : Annual reports of ADBL MIS Division]

Table 4.16 shows that ADBL's total outstanding loan increased from Rs. 16673736 thousand in F.Y. 2059/060 to as 22186952 thousand in year 2063/064. Which has shown an annual growth rate is 9.5 percent per annum.

The data of Table 4.16 are plotted in figure 4.9 it is clear that the annual growth rate of year increase. Between the fiscal year 2059/060 and 2063/064, the year to year growth rates of outstanding loan of ADBL varied from a lower 7.5 percent in year 2062/063 to a higher 11.61 percent in 2059/060. In fiscal year 2060/061; it increased with marginal rate of 11.61 percent then after, it was increasing with diminishing marginal rate in fiscal year 2061/061 in the fiscal year increasing rate and finally in F.Y. 2063/064, it was increasing with diminishing marginal rate. The least square trend line of outstanding loan.

$$Y = 19666.6 + 11750.6x$$

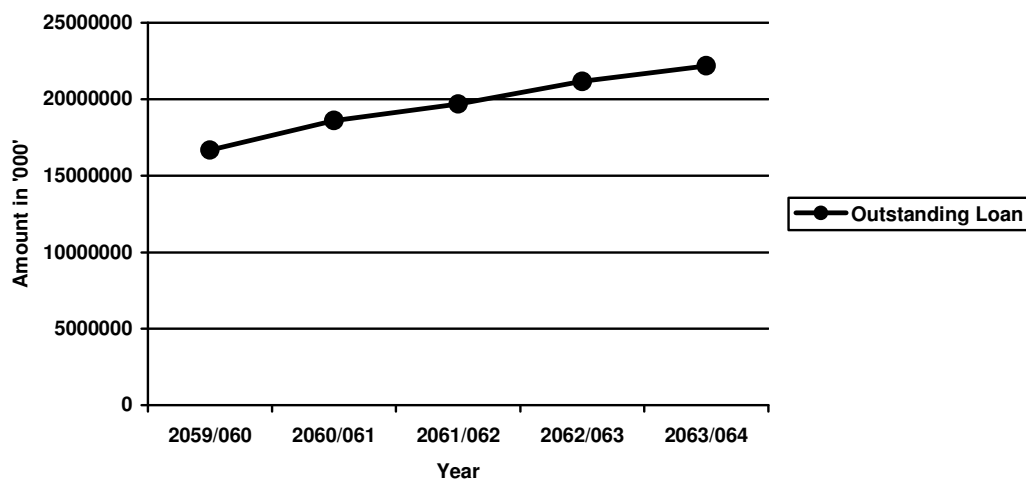


FIGURE 4.9 MOVEMENT OF OUTSTANDING LOAN OF ADBL

4.2.14 TREND ANALYSIS OF LOAN OVERDUE FOR F.Y. 2059/060 TO 2063/064

The percentage of outstanding loan was highest in the F.Y. 2063/064 i.e. 53.37 percent and lowest is the F.Y. 2059/060.

TABLE 4.18 PURPOSE WISE LOAN OVERDUE.

Amount in Thousand

S.No.	Purpose	2059/060	2060/061	2061/062	2062/063	2063/064	Average
1	Cereal crops	620369	603684	752380	767259	805222	709782
2	Cash crops	758437	819483	808457	813201	905267	820969
3	Marketing	994562	690872	757059	756250	750062	789761
4	Agri-tools	414574	471277	457085	465895	485255	458817
5	Irrigation	78502	84750	85660	60162	81319	78078
6	Livestock	58799	66759	62529	67222	65666	64115
7	Agri-cott. industries	88021	21206	25728	75725	67829	55702
8	Bio-gas	649386	553970	652957	600625	612100	613807
9	Land development	228191	212421	252965	218425	212100	224820
10	Horticulture	1101518	2214611	1751672	2205660	2252770	1905246
11	Go down & cold storage	62735	72286	65225	62176	63333	65151
12	Tea/Coffee	12541	21778	23617	27385	25222	22108
13	Non-Agri loan	–	11795	52879	66250	60016	38188
14	Tourism	–	3054	5642	76250	52212	27431
	Total	5067635	5847946	5753855	6262485	6438373	–

Source : Annual Report of ADBL, MIS Division.

The total overdue loan is in increasing way it is increased from Rs. 5066635 thousand year 2059/060 to Rs. 6438373 thousand in year 2063/064 registering an annual growth trend to 274347 thousand. It shows that the collection power of bank

is weak. The non performing assets are increased. The average followed by marketing and lowest overdue loan is tea and coffee followed by tourism.

TABLE : 4.19 TERM WISE LOAN OVERDUE FOR F.Y. 2059/060 TO 2063/064
Amount in Thousand

S.No.	Term	2059/060	2060/061	2061/062	2062/063	2063/064
1	Short	3070555	3132621	3522248	3612345	4042956
2	Medium	1648629	1529252	2004820	1921200	2022726
3	Long	317451	1186073	226787	728940	372691
	Total	5036635	5847946	5753855	6262485	6438373

Source : Annual Report of ADBL, MIS Division.

The total term wise loan overdue is increasing way short period overdue loan is increasing in slow motion it is increased by Rs. 3070555 thousand in year 2059/060 and Rs. 4042956 thousand in year 2063/064. We are recommended that bank; it must decrease the overdue loan by developed new technique for the borrower. The medium term overdue loan is increasing in some year and decreasing in some year. It is increased by Rs. 374097 thousand in 5 years. The long term overdue loan is satisfactory. The maximum long period overdue loan is in fiscal year 2059/060 i.e. Rs. 1186073 thousand and minimum long period overdue loan is in fiscal year 2062/063 i.e. Rs. 226787 thousand.

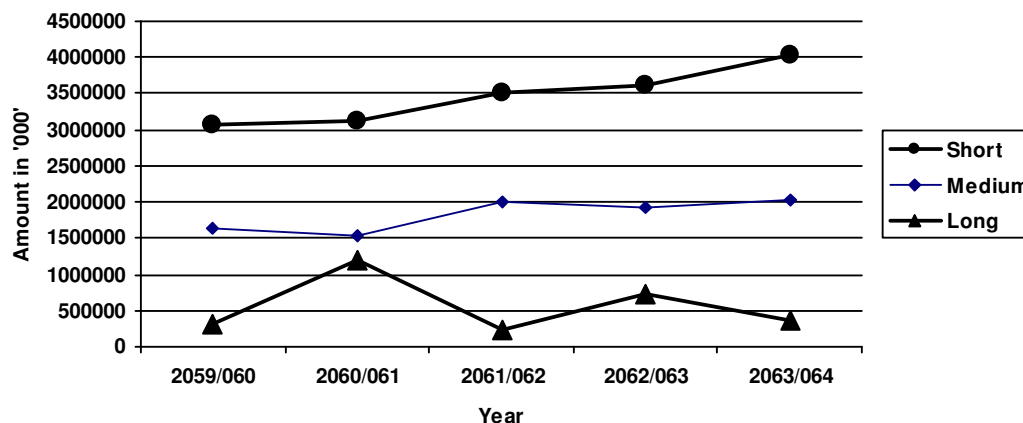


FIGURE 4.10 TERM WISE LOAN OVERDUE

TABLE : 4.20 DEVELOPMENT REGION WISE LOAN OVERDUE

Amount in Thousand

S.No.	Region	2059/060	2060/061	2061/062	2062/063	2063/064	Average
1	Eastern	952253	1002605	562097	763069	894936	834992
2	Central	1278280	1452253	1680264	1620656	1820024	1570295
3	Western	736263	888563	980563	1319118	1269228	1038747
4	Mid Western	1026755	1257888	1267273	1270718	1134887	1191468
5	Far Western	1073262	1152564	1263658	1288124	1319298	1219381
	Total	5066813	5753873	5753855	6261685	6438373	

[Source : ADBL/N MIS Division]

The average overdue loan is highest on central development region it is increased from Rs. 1278280 thousand in F.Y. 2059/060 to Rs. 1820024 thousand in F.Y. 2063/064. The highest increasing rate is also central development region. An Eastern Development region, the overdue loan is in decreasing way. That is Rs. 952253 thousand in F.Y. 2059/060 and in year 2063/064 it is reached in 894936 thousand. In far western development region and mid western development region. The rate of increasing in overdue loan is slow. It is showing on APPENDIX III.

4.3 Analysis of Primary Data

The primary data are obtained by some questionnaire where the farmer's opinions are presented. There are 14 questions asked to the borrowers of ADBL, Khairahani VDC of Chitwan District. There are 58 samples taken from those borrowers, who have received loan from ADBL and some of them are not interested to pay loan and some of others are unable to pay their loan.

TABLE : 4.21 LENDING POLICY OF ADBL

S.No.	Alternatives	Respondents Number	Percentage
1	No	34	58.62
2	Yes	24	41.38
	Total	58	100.00

Source : Field Survey, 2066

The borrower of ADBL are asked whether they are satisfied or not from the lending policy of ADBL. These are 58 number of people interviewed in Khairahani, where 34 people are satisfied from the lending policy and only 24 are not satisfied from the lending policy.

TABLE : 4.22 RATE OF INTEREST CHARGED BY ADBL.

S.No.	Alternatives	Respondents Number	Percentage
1	No	–	–
2	Yes	58	100
	Total	58	100.00

Source : Field Survey, 2066

All of the interviewed persons are not satisfied by the present interest rate charged by ADBL. They think that the interest rate is high.

TABLE : 4.23 LOAN PAYMENT SCHEDULE

S.No.	Alternatives	Respondents Number	Percentage
1	No	27	46.55
2	Yes	31	53.45
	Total	58	100.00

Source : Field Survey, 2066

Among the above, numbered of people interviewed in Khairahani. Where only 27 (46.55) respondent know their loan payment schedule and 31 respondent do not know. The majority of the people do not know their loan payment schedule.

Table 4.24 Commitment and service charged of ADBL.

TABLE : 4.24 LENDING POLICY OF ADBL

S.No.	Alternatives	Respondents Number	Percentage
1	No	–	–
2	Yes	58	100
	Total	58	100.00

Source : Field Survey, 2066

All of the borrowers are replied that the commitment and service charge, charged by ADBL is not reasonable. They think that such type of charge must be decreased. The borrowers are disagreed with such charge of ADBL which increases their cost of production.

TABLE : 4.25 MODERN TECHNOLOGY

S.N.	Alternatives	Respondents Number			Percentage		
		Yes	No	Total	Yes	No	Total
1	Tractor	52	6	58	89.66	10.34	58
2	Chemical Fertilizers	52	6	58	89.66	10.34	58
3	Improved Seeds	35	23	58	60.34	39.66	58
4	Insecticides	12	46	58	20.69	79.31	58

Source : Field Survey, 2066

The majority of the farmers are using modern technology. Percentage of loan amount used in loan purpose.

There are some person, who used total loan amount in their loan purpose. But, in general, 70 percent people used their loan amount in the loan purpose.

TABLE 4.26 AMOUNT USED IN LOAN PURPOSE.

S.No.	Alternatives	Respondents Number	Percentage
1	No	41	70.06
2	Yes	17	30.94
	Total	58	100.00

Source : Field Survey, 2066

TABLE 4.27 REASONABLE PLACE OF MARKET.

S.No.	Alternatives	Respondents Number	Percentage
1	Local	21	36.21
2	Kathmandu	35	60.34
3	Others	2	3.35
	Total	58	100.00

Source : Field Survey, 2066

The majority of the people know their market there are 60.34 people who sells their product in Kathmandu.

TABLE 4.28 INTEREST REBATE AND DISCOUNT OF ADBL.

S.No.	Alternatives	Respondents Number	Percentage
1	No	30	51.72
2	Yes	28	48.28
	Total	58	100.00

Source : Field Survey, 2066

There are 58 number of people interviewed in Khairahani, whether they know interest rebate and discount process of ADBL. There are 30 farmers (51.72), who understand the interest rebate and discount process of ADBL.

TABLE 4.29 LOAN PURPOSE

S.No.	Loan Purpose	No	Percentage
1	for the payment of other loan	–	–
2	for maintaining the personal liquidity	–	–
3	For the daily expenses	–	–
4	It is the cheapest sources	–	–
5	For the agricultural & industrial purpose	58	100
	Total	58	100

Source : Field Survey, 2066

All of the respondents 58 farmers (100%) are taking loan for the agricultural & industrial purpose from the ADBL.

TABLE 4.30 LETTER OR NOTICE RECEIVED FROM THE ADBL.

S.No.	Received No.	No. of Respondents from 58 farmers	Percentage
1	No	2	3.45
2	One time	32	55.17
3	Two times	24	41.38
	Total	58	100

Source : Field Survey, 2066

The majority of the farmers have received letter or notice from the ADBL. It shows that the collection process of ADBL is satisfactory.

TABLE 4.31 PROBLEM OF TAKING LOAN OR PAYING IT.

S.No.	Alternatives	Respondents Number	Percentage
1	No	12	20.69
2	Yes	46	79.31
	Total	58	100.00

Source : Field Survey, 2066

The majority of the farmers replied that they don't face any problem while taking loan and paying it in time from the ADBL.

TABLE 4.32 THE REASON MAY LEAD NOT TO PAY THE LOAN TAKEN FROM ADBL.

S.No.	Reason	Respondents Number
1	Because of poor liquidity of the client	2
2	Because of liberal policy and procedure of bank to recover the loan	8
3	Because of less valuable security	1
4	Because of unprofitable investment	2
5	Because of the political influence	3

Source : Field Survey, 2066

The majority of the farmers replied that they return the loan amount in proper due date. Some of them do not return the loan amount in time because of various reasons. The most important reason is liberal policy and procedure of bank to recover the loan.

TABLE 4.33 PERCENTAGE OF CUSTOMER FACING PROBLEM FROM THE PLACE OF OFFICE (ADBL)

S.No.	Alternatives	Respondents Number	Percentage
1	No	41	70.89
2	Yes	17	29.31
	Total	58	100.00

Source : Field Survey, 2066

The majority of the farmers that they do face some problem from the place of office.

TABLE 3.34 NO OF GREEN CARD HOLDER

S.No.	Alternatives	Respondents Number	Percentage
1	No	8	13.79
2	Yes	50	86.21
	Total	58	100.00

Source : Field Survey, 2066

No. of Green Card holders is only 13.79%. It shows that the repayment of loan and good customer of ADBL are less.

4.4 MAJOR FINDINGS

4.4.1 Findings from Loan Disbursement:

The total loan investment of the development financing increased from Rs. 10.11 billion in 2059/060 to Rs. 16.78 billion in 2063/064 registering an annual growth trend of Rs. 6.67 billion or 6.025 percent. Portfolio wise, highest investment has been in marketing in lowest investment in land development.

However investment growth rate was highest in non-agri loan and lowest in bio-gas. The investment table emphasizes incremental trend of investment except in the portfolio like irrigation, bio-gas and land development the short fall investment in irrigation is due to government policy.

4.4.2 Findings from Loan Collection:

In F/Y 2059/060 Bank can success to return in tourism investment. The total loan collect of the development financing increased from Rs. 8.17 billion in F/Y 2059/060 to Rs. 13.82 billion in 2063/064 registering an annual growth trend of Rs. 5.65 billion portfolio wise, highest collection, has been in marketing followed by agricultural industry and lowest collection is on Tourism. However, collection growth rate was highest in tea and coffee followed by Marketing and lowest in

tourism. The collection table emphasizes incremental trend of collection except in the portfolio like irrigation and bio -gas.

4.4.3 Findings from Loan Outstanding:

The total outstanding loan of the development financing increased from Rs. 16.67 billion in F/Y 2059/060 to Rs. 23.86 billion in F/Y 2063/064. Portfolio wise highest outstanding loan has been in marketing followed by livestock and lower outstanding is in tourism. The outstanding table emphasizes in increment trend of outstanding except in the portfolio like irrigation and biogas.

4.4.4 Finding from Deposit Mix:

The total deposit collection in commercial banking sector increased from Rs. 9.68 billion in 2059/060 to Rs. 19.96 billion in 062/063 registering an annually growth trend of Rs. 2.1 billion or 10.5 % percent.

The deposit collection in the current account increased from Rs. 543 million in 2058/069 to Rs. 1289 million. In 063/064 registering an annual growth trend of Rs. 146.7 million or 11.4 percent. The deposit collection in saving account increased from Rs. 4515 million in 2058/059 to Rs. 11955 million in 063/064 registering an annual trend of Rs. 1429.5 Million or 13 percent Similarly, the deposit collection in fixed account increased from Rs. 1419 million in 2059/060 to 7721 million in 062/063 Registering an annual growth trend of Rs. 524.4 million or 6.8 percent.

4.4. 5 Finding Form Primary Data :

The primary data is analyzed by the help of some questionnaire. The 14 different questions are asked to 58 people who are related with ADBL. Lending policy of the ADBL is found that the majority of the farmers (58.62%) are satisfied where, 41.38% are not satisfied. The interest rate of bank is found higher in the view of farmers. Loan payment schedule is found that there is 31 out of 58 farmer's know

their repayment schedule. The farmer's are not satisfied by the service and commitment charge of the bank an average 85% of total amount i.e. taken by farmer's have been found properly utilized and the remaining 15% of total loan amount have been found mis-utilized. The majorities of the farmers know about the interest rebate and discount facilities provided by the bank. It is also found all most all farmer's are receive the letter or other notice for paying their loan in time.

CHAPTER-FIVE

5. Summary, Recommendation & Conclusion:

5.1 Summary :

Nepal, which does not occupy significant place in the world's economy, has not its long history on banking also. About a century ago barter system was prevailing in the most of the parts of the country. Even now, the remote areas are practicing the same. After the re-unification of Nepal passed in 1903 B.S. Rana regime began in the country. At the time some sorts of offices namely Mulukikhana, Tejarath Aadda etc. established in order to attract deposit for the lending purpose. Then not shows big economic activities happen in the country besides some particular trading with Tibet and India.

Then over the time period the country felt the need of an institution to deposit their public surplus money and grant the loans to the needed people. Consequently, Nepal bank limited was established in 1994 B.S. with authorized and paid up capital Rs. 10 and Rs. 0.845 million respectively. Which also performed the functions of central Bank's until the establishment of NRB in 2013 B.S. Then Rastriya Banijya Bank established in 2022 B.S. and ADBL in 2024 B.S. to help the agricultural sector.

Agriculture is most important occupation in Nepal and it plays a vital role of Nepal's economic development. Here, more than 80 percent of the economically active populations are dependent on it. The economic conditions of the farmer's who are dealing in agricultural sector are too much poor. It is because of the low productivity of land. The productivity of land can be increased by introducing new technology but majority of people engaged on this sector are too poorer and can't purchase the tools, technology, fertilizer, insecticides and improved seeds. The

develop the agriculture sector; they must emphasize the financial facilities through the different institutions.

The ADBL was introduced in 1968 by the Agricultural Development Bank Act 1967. It was operating as main sources of agricultural credit. The bank takes the responsibility of meeting the overall credit requirement of Agricultural sector. The agricultural credit is classified by different purposed, term and region.

As the title, through the study it has been attempted to find out the term wise, purposed wise and development region wise, loan disbursement, collection, outstanding and overdue.

5.2 RECOMMENDATION:

One of the major objectives of this thesis report writing is to provide some suggestions after analyzing the data of the ADBL. The following suggestions will help to the organization, other related practices and the institutions which provides similar services to the people. The followings are the recommendations for the further development.

1. Loan recovery is the strictly in the case of individual farmers and smooth in the case of institutional organization. It is recommended that, a study group must setup to look in to the issue in all aspect and increase in loan recovery in general and that from the individual farmers in particulars.
2. In the case of borrowers who are able but not repay their due loans, the bank must examine the borrowers past repayment records and corrective action must be taken immediately. In the case of borrowers who are really unable to repay their loans, repayment schedule must be re-arranged after scrutinizing exact cause of inability.

3. Strict supervision must be made for issuing the memorandum letter; supervisor must visit at the lending field whether the borrowers utilized the total loan amounts for concerned purpose. Supervisor must motivate the borrowers to utilize the full amount of loan on that purpose.
4. The bank must reduce the interest rate for lending in agricultural sector in such a way that the interest rate will be lower than prevailing interest rate. The commitment and service charges must be reduced.
5. Loan disbursement only can't change the standard of the rural poor. So, ADBL should provide technical facility along with the loan disbursement. It helps them to use the loan effectively and rapid change may be possible in economic activities.
6. Supervision and inspection system must be strict effective and efficient. It helps them to understand the use of loan.
7. Policy should be formulated taking into consideration the geographical features and the infrastructure development within the country.
8. Political and other pressure should be minimizing the selection criteria of borrower should implement strictly and the needy should get priority for getting loans.
9. Loan sanction procedure should be transparent and easy.
10. Unnecessary obstacle and disturbance of employee union should be minimizing. The employee should get adequate facility as per capacity of organization in the context of the country. The important thing is that the employee should not be politicized in discharging their duties and responsibilities.

11. The bank should establish responsibility centers to make the wrathful review of the performance and identify the responsibility of the outcomes. Likewise, some branch offices are to be developed as model office with a plan to restructure the entire banking operation of the bank in the future.
12. The bank should make necessary attempts to computerize all the all the banking operation to speed up the activities to provide service promptly.
13. Interest income should be increased by increasing the size of investment and loan and advances but decreasing the rate of interest to the poor and middle class farmers as the recommendation of the bank's special authority. On the other side, the external borrowing should be reduced and fixed deposit be increased as far as possible.
14. The bank should develop itself as a financially, viable and sustainable institution so that it can take the decision independently without intervention of the foreign donors, for this bank's activities, especially the agricultural credit is to be provided to the marginalized farmers at negligible rate of interest directly to their own approach as a special privilege so that the interest and the principal can be easily and timely recovered by utilizing the loan in the direct observation of the bankers but the rate of interest to the rich farmers and agricultural business can be increased in considerable extent to give privileges to the poor.
15. It is recommended to the bankers that the bank should collection the deposit in larger extend on one side one it is to be circulated as agricultural credit, loan and advances and other sorts of investment as a network to the neediest on the other. The bank should also assist in technical administrative and other necessary perspectives to utilize the loan, keep regular personal contacts with the clients and collect the loan

back along with the periodical interest in time without the involvement of the bankers from inside the curtail in pushing the bank to default loan condition.

16. Finally, to lead the development banking as well as commercial banking sector on one hand to satisfy the agricultural needs of the nation on the other the bank should give high priority in equality services.

5.3 Conclusion:

From the study of objectives, organization and establishment of the bank and its loan management for the series of five years starting from F.Y. 2058/59 onward, this researcher came into the following conclusions.

- The objectives, organization and establishment of the bank is obviously good for the improvement of the economic and social position of the Nepalese farmers.
- The functions of the bank are good in written but their practical implication does not seem to be justice and fair. Through management and its operational performance seems to be optimistic, it is not necessarily wider to cover the entire needs of the farmers, especially the marginalized farmers.
- The increasing trend of deposit and investment show a better symptoms but the increasing trend of outstanding loan shows a worse condition.
- The increasing trend of repayment rate shows a better symptoms.
- The trend of interest collection is rising way this shows a better symptoms to the bank.

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Appendix I

1. Type Wise Loan Disbursement:

Amount in Thousand

S.N.	Type	059/060	060/061	061/062	062/063	063/064
1	Co-operative	330252	356247	440495	462530	737453
2	Individual	8558609	9759024	9708074	11354527	12118090
	Total	8888861	10112571	10148569	11817057	12855543

2. Type Wise Loan Collection:

Amount in Thousand

S.N.	Type	059/060	060/061	061/062	062/063	063/064
1	Co-operative	257638	522269	482997	403872	597478
2	Individual	6739879	6675888	8524608	9927001	11244126
	Total	6997517	7198157	9077415	10330873	11841604

3. Type Wise Loan Outstanding:

Amount in Thousand

S.N.	Type	059/060	060/061	061/062	062/063	063/064
1	Co-operative	827622	862953	903099	961757	1101732
2	Individual	15846114	17752722	18783730	20211256	21085220
	Total	16673736	18615675	19686829	21173013	22186952

Appendix II

1. Development Region Wise Loan Disbursement:

Amount in Thousand

S.N.	Development Region	059/060	060/061	061/062	062/063	063/064
1	Eastern	2179322	2322197	2214759	2514759	2614272
2	Central	2716936	2902464	2472635	3002421	3202246
3	Western	2632923	2657922	1986338	2566441	2777211
4	Mid-Western	753191	1514397	1705637	1855332	2055221
5	Far-Western	606489	718291	1769200	1878104	2206593
	Total	8888861	10115271	10148569	11817057	112855543

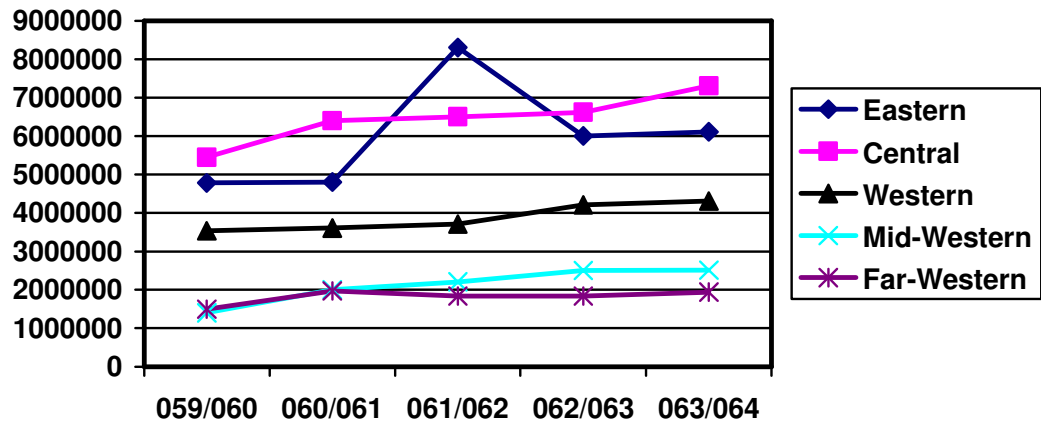
2. Development Region Wise Loan Collection:

Amount in Thousand

S.N.	Development Region	059/060	060/061	061/062	062/063	063/064
1	Eastern	1604031	2035213	2429525	2885661	3082360
2	Central	2227532	2605405	3067565	3222141	3561184
3	Western	1803533	2204938	2712556	3072705	3460102
4	Mid-Western	666252	140777	600396	922940	1236870
5	Far-Western	696196	2111824	267363	227427	501088
	Total	6997517	7198157	9077415	10330573	11841604

3. Development Region Wise Loan Outstanding:

S.N.	Development Region	059/060	060/061	061/062	062/063	063/064
1	Eastern	4783861	4803832	8303832	6003832	6113852
2	Central	5450452	6400452	6500452	6617452	7312690
3	Western	3538629	3608629	3708629	4208629	4308629
4	Mid-Western	1403375	2003375	2203375	2503375	2512256
5	Far-Western	1497419	1970541	1839725	1839725	1939252
	Total	16673736	18615675	19686829	27173013	22186952



Appendix III

Annual Repayment Rate

Amount in Thousand

S.N.	Particulars	059/060	060/061	061/062	062/063	063/064
1.	Repayment Rate %	47.35	53.16	54.18	60.31	62.39
	Total	47.35	53.16	54.18	60.31	62.39

Appendix IV

Annual Interest Collection

Amount in Thousand

S.N.	particulars	059/060	060/061	061/062	062/063	063/064
1	Interest collection	1669406	1717615	2017805	2149862	2344432
	Total	1669406	1717615	2017805	2149862	2344432

Appendix V
Statement of Banking Transaction

Amount in Thousand

Fiscal Year	Outstanding Deposit				Total
	Current	Saving	Fixed	Others	
059/060	543975	4514961	4619597	-	9678533
060/061	640947	5976927	5414676	-	12032550
061/062	801534	8232213	5504364	-	14538111
062/063	1201294	10257280	5182279	-	16640853
063/064	11289303	10955515	7721113	-	19965931

Appendix VI
Statement of Banking Loan

Amount in Thousand

Fiscal Year	Disbursement	Collection	Outstanding
059/060	2298644	2009808	3511608
060/061	4294979	3967709	3838878
061/062	6516599	5880172	4475305
062/063	8456506	7365219	5566592
063/064	10456452	9634487	6388557

Appendix VII

Total Loan Disbursement, Collection and Outstanding with Fitting Trend Line

1. Least Squares trend line of loan disbursement let the straight line trend be:

$$y = a + bx \dots\dots\dots (i)$$

Rs. in 'million'

Fiscal Year	Year(X)	Loan Disbursement (Y)	(Y) x = x-3	X ²	XY
059/060	1	8898	-2	4	-17796
060/061	2	10115	-1	1	-10115
061/062	3	10148	0	0	0
062/063	4	11817	1	1	11817
063/064	5	12855	2	4	25710
		$\Sigma Y = 53833$	$\Sigma X^2 = 10$		$\Sigma XY = 9616$

Since $\Sigma X = 0$, so $a = \frac{\Sigma y}{n}$

$$= \frac{53833}{5} = 10766.6$$

$$b = \frac{\Sigma xy}{\Sigma x^2} = \frac{9616}{10} = 961.6$$

Substituting the values of a and b in eqⁿ (1) the equation of the trend line is :

$$Y = 10766 + 961.6x$$

2. Least squares trend line of loan collection

Let, the straight line trend be, $Y=a+bx$ (i)

Fitting of trend line by least square Method

Rs. in 'million'

Fiscal Year	Year (X)	Loan Collection (Y)	(Y) x= x-	X ²	XY
059/060	1	6997	-2	4	-13994
060/061	2	8173	-1	1	-8173
061/062	3	9077	0	0	0
062/063	4	10331	1	1	10331
063/064	5	11841	2	4	23682
		$\Sigma Y = 46419$	$\Sigma X^2 = 10$		$\Sigma XY = 11846$

Since $\Sigma X = 0$,

$$\text{So, } a = \frac{\sum y}{n}$$

$$= \frac{46412}{5} = 9283.8$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{11846}{10} = 1184.6X$$

Substituting the value of a and b in eqⁿ (i), the equation of trend line is :

$$Y = 9253.8 + 1184.6x$$

3. Least squares Trend line of outstanding loan :

Let the straight line trend be

$$Y = a + bx \text{(i)}$$

Fitting of Trend Line By Least Square Method.

Fiscal Year	Year(X)	<u>Loan</u> <u>Collection(Y)</u>	(Y) x= x- 3	X	XY
059/060	1	16673	-2	4	33346
060/061	2	18615	-1	1	18615
061/062	3	19686	0	0	0
062/063	4	21173	1	1	21173
063/064	5	22186	2	4	44373
		$\Sigma Y = 98333$	$\Sigma X^2 = 10$		$\Sigma XY = 117506$

$$n = 5$$

Since $\Sigma X = 0$,

$$\begin{aligned} \text{So, } a &= \text{so } a = \frac{\sum y}{n} \\ &= \frac{98333}{5} = 19666.6 \end{aligned}$$

$$b = \frac{\sum xy}{x^2} = \frac{117506}{10} = 11750.6$$

Substituting the value of a and b in eqn (i), the equation of trend line is :

$$Y = 19666.6 + 11750.6x$$

APPENDIX VIII

Sample Customer Contact Report

Name of customer _____

Address: _____ Telephone : _____

Bank Personnel making the most recent contact: _____

Name of banks employees making previous contact with this customer
: _____

Does this customer currently used any services of our bank ?__No____

Which ones ? _____

If no, has the customer used nay of our bank's services in the past ? _____

If a business firm, what officials or principals with the customer's firm have been
contacted by our bank ? _____

If an individual, what is the customer's occupation? _____

If a business firm, what time of business is the customer in? _____

Approximate annual sales: Rs. _____ Size of labor force _____

With whom does the customer bank at present ? _____

What problems (if any) does the customer report having with his/her current
banking relationship? _____

What banking service does this customer use at present? (Please check) :

_____ Line of Credit _____ Letter of Credit
_____ Term of loan _____ Funds transfer
_____ Checkable deposits _____ Cash Mgmt. Services
_____ Cds and other time accounts _____ Trust service

What banking services does this customer not use currently that might be useful to
him or her ? _____

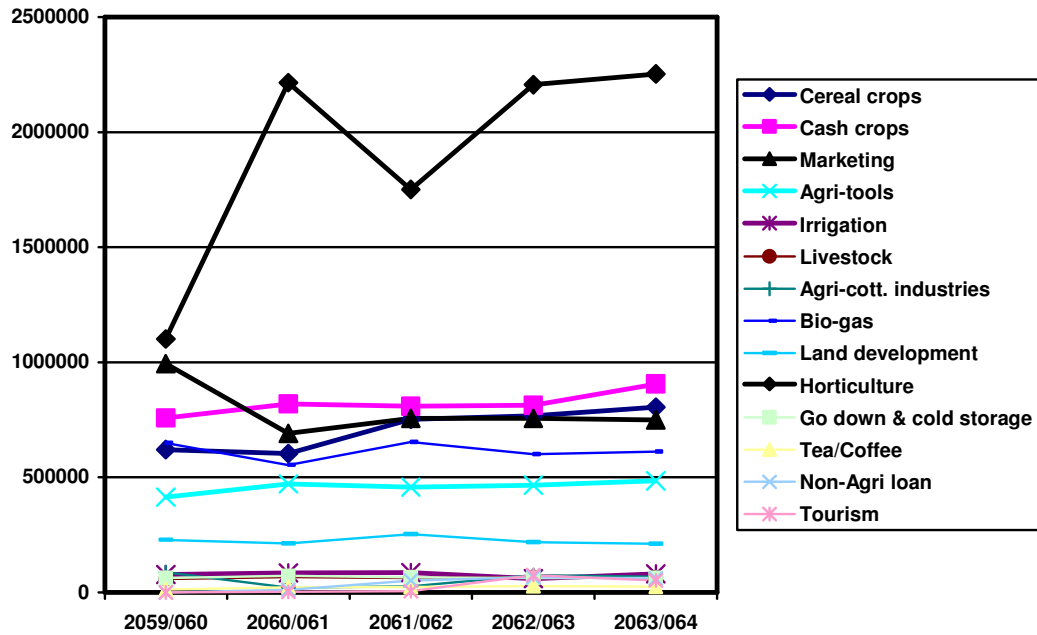
Describe the results of the most recent contact with this customer:

Recommended steps to prepare for the next call (e.g. special information needed,
additional bank personnel needed) : _____

Source : Peter S. Rose(2002, *Commercial Bank Mgmt, Fifth Edition, McGraw-Hill
Publication, New York P. 527*

APPENDIX IX

Purpose Wise Loan Overdue



APPENDIX X

Table 1.1 Six Aspects of Loan Applications (Six Cs)

Character	Capacity	Cash	Collateral	Conditions	Control
Customer past payment record	Identity of customer and guarantors	Take home pay for an individual the past earning dividends, and sales record for business firm	Ownership of assets	Customers current positions in industries and expected market share	Applicable banking laws and regulations regarding the character and quality of acceptable loans.
Experience of other lenders with this customer	Copies of social security cards, divers licenses, corporate character, resolution, partnership agreement, and other legal documents	Adequacy of past and projected cash flow	Vulnerability of assets to obsolescence	Customers performance vis-a-vis comparable firms in the same industries	Adequate documentation for examiners who may review the loan
Purpose of loan	Description of history, legal	Availability of liquid reserves	Liquidation value of assets	Competitive climate for	Signed acknowledgement

	structure, owners, nature of operations, products, and principle customers and suppliers for a business borrower			customers product	and correctly prepared loan documents
Customers track record in forecasting business or personal income		Turnover of Payables, accounts receivables, and inventory	Degree of specialization in assets	Sensitivity of customers and industries to business cycle and changes in technology	Consistency of loan request with banks return loan policy
		Capital structure and leverage	Liens encumbrances, and restrictions against property held	Labour market condition in customers industries or market area.	Inputs from non-credit personnel on the external factors affecting loan repayments
Presences of consigners of guarantors of the purposed loan		Expenses controls	Leases and mortgages issued against property and equipment	Impact of inflation on customers balance sheet and cash flow.	
		Coverage ratios	Insurance coverage	Loan run industries of job outlook	
		Recent performance of borrowers stocks and price earning ratio	Guarantees and warranties issued to others	Regulations, political and Environmental factors affecting the customer and/ or/ his/ her job, business and industry	
		Management quality	banks relative position at creditors in placing of claim against borrowers assets		
		Recent accounting changes	Probable future financing needs		

Source : Peter S. Rose (2002) Commercial Bank Management, 5th Edition, McGraw-Hill Publication, New York, P. 529

APPENDIX XI

Questionnaire:

Name of Customers :

Address :

Please answer the following questions putting a tick at the appropriate answer or otherwise requested in specific manner.

Q.No. 1. Do you think that the lending policy of the ADBL is satisfactory?

Yes

No

Q.No.2. Is the present rate of interest charge by the ADBL satisfying?

Yes

No

Q. No. 3. Do you know your loan payment schedule?

Yes

No

Q.No. 4. Is the commitment charge and service charge of the ADBL is satisfactory?

Yes

No

Q. No.5. Are you following modern technology of farming?

Yes

No

If yes which technology?

Q.No.6. How much percent of loan amount taken by you used in your loan Purpose loan?

..... Percent.

Q. No. 7. Do you know the reasonable place of market for the selling of your product?

Yes

No

If yes, where ? district or place.....

Q. No. 8. Do you know the interest rebate and other discount process of the ADBL?

Yes

No

If yes, which process do you know?

Q. No. 9. Why are you taking loan from the ADBL?

- For the payment of other loan.

- For the maintaining the present personal liquidity.

- For the daily expenses?

- It is cheapest sources.

- For the agricultural and other purpose.

Q. No. 10. How many times you have received letters or notice from the ADBL for the repayment of your due amount?

..... times.

Q. No. 11 Do you face any problem while taking loan or paying it from officials of the ADBL ?

Yes

No

Q. No. 12 Which one of the following may lead you not to pay the loan taken from ADBL?

- Because of poor liquidity.

- Because of liberal policy of bank to recover the loan.

- Because of less valuable security.

- Because of unprofitable investment.

- Because of the political influence.

- Because of the poor recovery policies and procedure of the bank.

Q. No. 13. Do you Face any Problem from the place of office of ADBL?

Yes

No

Q. No. 14. Do you received green card from ADBL?

Yes

No