

CHAPTER I

INTRODUCTION

1.1 Background / History of ADBL

Nepal is an agricultural country. About 70% people are engaged in agriculture. Agriculture is the backbone of this country, so without development of the agriculture sector, it is very difficult to think about the development of the country. Agriculture plays a tremendous role in the economic development of Nepal. In our country 60% of GDP is contributed by agriculture sector. And most of manufacturing industries in this country are based on agricultural products, so, it seems to develop agriculture sector to support manufacturing sector. In our country more than 60% agriculture related commodities are exported to other countries.

With the main objective of providing institutional credit for increasing the production and productivity of the agricultural sector in the country, the Agriculture Development Bank was established in 1968 under the ADBN Act 1967, as successor to the cooperative Bank. The Land Reform Savings Corporation was merged with ADBN in 1973. Subsequent amendments to the Act empowered the Bank to extend credit to small farmers under group liability and expand the scope of financing to promote cottage industries. The amendments also permitted the bank to engage in commercial banking activities for the mobilization of domestic resources.

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

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

To be "The Pre-eminent bank by providing services throughout Nepal", is the vision of this bank and "To deliver comprehensive banking and financial services by capitalizing its extensive network in rural areas", is the mission of this bank. The bank provides credit services broadly on short, medium and long term basis to individuals, co-operatives and corporate bodies. Short-term loans are provided for the period of

maximum 2 years for the activities such as production, working capital, marketing and non-farm activities. Medium-term loans are extended for the period of 2 to 7 years for irrigation, farm mechanization, agro/cottage industries (fixed investment) and agri-business including livestock. Long-term loans are provided for the period of more than 7 years for the purposes like warehouse, cold storage, tea/coffee and horticultural crops having long gestation period. In addition to providing rural and agricultural credit, the bank accepts saving from borrowers in the form of Client Security Fund. Moreover, the bank is also involved in technology promotion particularly in the field of surface and ground water irrigation, micro-hydro and alternative energy including biogas as well as solar power.

With the primary objective of mobilizing urban resources to the rural sector, the bank is undertaking commercial banking operations since 1985. The activities of commercial banking operation broadly include deposit collection and lending operation. Besides, services related to guarantee and fund transfer through draft, fax, inward bill collection, outward bill collection etc. are also provided to clients. Deposit services are made available for demand deposit (current account), saving and term deposits. In lending operation, the bank has concentrated on commerce, industry, overdraft (general and industrial), contract, hire-purchase (construction and transportation), service loan (tourism, health, secretarial services etc), demand loan, educational loan, house loan, project loan and agriculture loan.

Small Farmer Development Program (SFDP) was initiated in 1975 with the objective of improving socio-economic conditions of the rural poor including women to bring them into the mainstream of development process. Group approach is the fundamental basis for program implementation. Households having per capita family income of less than or equal to Rs. 2500 and /or a land holding size up to 0.5 ha. are categorized as small farm families for providing financial and non-financial services through SFDP.

The central level office of ADBL is in Kathmandu. In the country there are 11 regional office of this Bank. Regional office is in regional level and district level and district level Branch / sub branch office is in every district according to the need of the district. The Agriculture Bank was initially established under Agricultural Bank Act 2024. Now this bank has been established in the form of huge net work and capital structure in the country, regulating according to financial organization act 2063. This bank has registered under company act and it has got “A” category financial institution by Nepal Rastra Bank. The Agriculture Bank has been serving to its customers quickly, and satisfactorily even political instability, difficult as well as adverse condition, and weak position of security.

Far Western Development Region’s (FWDR’S) regional office was established in Kailali District Dhangadhi. There are 9 districts under this regional

office which controls total 23 working sectors including branches, sub branches, banking offices & regional training centre, which are being involved to serve the people in agriculture sector. ADBL regional office Dhangadhi, Kailali has been established in 2054. This regional office of ADBL, Dhangadhi has regulated by the direction, control and supervision of 9 district's ADBL .It has large working areas. The Agriculture Development bank has been serving since last 4 decades in Far West Development Region as central point under finance. In its own serving field it has been given great support in FWDR , being sincere for work ,duty ,liability even in geographical difficulty, poor infrastructure development, created abnormal situation due to conflict in its zone of work .

For the development of the agricultural area in the Far Western Development Region & to regulate the various activities of other sectors, different banks are involved. Among them also, the Agriculture Development Bank Limited has been playing an important role. In the national contest the Agriculture Development Bank is acting as a first class bank, so it has to try much more to improve sustainable financial position of the bank.

This bank has got the tender to purchase the Core Banking System (CBS) and has got success in technical proposal evaluation & received the affiliation from Asian Development Bank (ADB). CBS program is running from the last of 2066.

This bank has got Six Lakh American Dollar (6 lakh US \$) in the form of financial support which was given from Manila Asian Development Bank to regulate CBS program. Under the CBS program, this bank has established 15 computer laboratories and has purchased computers and other equipments under the first stage of purchasing process and second stage of purchasing has started.

Under the program CBS, computer literacy program has been managed to make literate the 1400 officials. ADBL training program is running to give training to technical personnel related to Agriculture Bank. Under the computer literacy program, ADBL, regional office Dhangadhi, Kailali has been finished the first stage training and 2nd stage training has started .Thus, ADBL, regional office Dhangadhi has been giving training in all areas of all districts and started the effective training program.

This Agricultural Development Bank Limited is related to other sectors which are as ADB Manila, UND, BAAC, APRACA, IFAD, GTZ, CARE Nepal, SNV, KFW, World Bank Nepal, Nepal Rastra Bank.

1.2 ADBL in Kanchanpur

Among five development region, FWDR is known as least developed region of the country. To develop any sector the foremost thing is infrastructure development but this region is deprived of such development. Its impact directly can be seen in agriculture sector also.

Among nine districts of FWDR Kailali and Kanchanpur fall upon the Terai region. These districts also supply food grains to the other parts of the country and are known as developed districts of this region. To enhance agriculture sector there is one regional office of ADBL in Kailali district. Under this regional office Dhangadhi, it has total 23 officies including branches, sub branches, banking offices and a regional training Centre, which are involving to serve the people in agriculture sector. These all offices and training centre of ADBL of 9 districts are regulated by the direction, control and supervision of ADBL regional office Dhangadhi, Kailali, was established in 2054. Other branch and sub branch offices were established in other districts of FWDR. But here in this study Researcher has focused on study of Kanchanpur district only.

Most of the people of this district are also dependent upon agriculture and it is their main occupation too, so ADBL can play tremendous role in this sector. In this district 3 branch and 1 sub branch office of ADBL were established.

In this sector no study has been done about ADBL and its financial performance. So realizing this fact Researcher is encouraged to study on this topic to find out actual financial performance of Development Bank (ADBL) and provides appropriate suggestions for the betterment of all aspects of it.

These banks are working independently but there is co- operation between them in different aspects. These banks are controlled and monitored by regional office, which is in Kailali district.

1.3 Statement of the Problem

The major aim of this bank is to provide loan to the farmer. Before providing loan, demand collection is important. Farmers demand of loan complete their aims. The bank has responsibility and need to provide loans to regulate developmental activities of the district and to complete needs of farmers. But the bank is not so successful to provide the loan sufficiently in all areas of the district. So additional loan issuing is a problem of this bank.

The bank provides loan in many activities to fulfill the aim of farmers, instead of this, the bank is not getting success to receive principle and interest amount timely in adequate amount. Which is also a main problem of this bank.

The main source of income of the bank is interest collection. The bank is in deficit due to the problem of interest collection. If interest could not be collected in adequate amount then the bank goes in deficit. The bank is not compete in many new technologies due to less income collection of bank, i.e. interest collection. So the bank has the great problem/ challenge to collect interest sufficiently .Due to problematic position in the country the program, loan investment and collection, were affected. Due to past time conflict and insurgency, many banks were destroyed /avoided and kept at headquarter or at other places could not re-established at their actual places.

The bank has to visit frequently in remote rural areas to follow up, inspect and supervise the loan investment projects. The bank also has to make employees skillful and improving their working methods for management of customer's relationship. So, the training is important for employees to give them the more knowledge skill and good conduct which initiate employees to improve good relationship with customers as well as internal relationship.

There are many problems in this sector due to which this sector is not developing properly and the aim of ADBL is not meeting with its objectives. In this regard to know the fact situation the researcher has tried to analyze the bank's performance by studying its different aspects to know its financial sector and other different situations by analyzing the data, which are availed from the bank. So the present study has tried to answer the following research questions.

- i) What is the financial position of ADBL, which are established in Kanchanpur District?
- ii) What is the source of finance of the bank?
- iii) What is the condition of disbursement and collection?
- iv) Is the bank generating profit or not?

1.4 Objective of the study

Agriculture development is the essence for the development of this country. Different branch / sub branch offices of ADBL in almost all the district for the development of agricultural sector .In this district, ADBL has 3 Branch and one Sub-Branch offices which were established to develop the agriculture sector of this district. There is a great importance of it in this district because most of the people of this area are farmers. Most of them are sustaining their life by agriculture sector.

In the present scenario the farmers are classified on the basis of their economic status. These banks come across two levels of farmers and they are the rich farmers or top level farmers and the marginal farmers.

The top –level farmers are economically sound and well off in status. Though they don't need any financial assistance and they are very near to the reach of bank. Where as the marginal farmers are poor and lead a miserable life. They don't have enough land, still they are far beyond the reach of banking facilities.

This bank is laying greater emphasis for bringing farmers under small farmers development concept. This concept is running on smoothly in many districts of Nepal. This concept has helped this bank to penetrate into the grass root level. The involvement of bank has helped these groups in utilizing and investing their accumulated fund in various productive sectors.

Farmers demand of loan are many, so the bank has responsibility and needs to provide loan to regulate developmental activities of the district and to complete needs as well as aims of farmers.

The main objective of this bank is to provide loan to farmers. Before providing loan, demand collection is important. The demand comes much more from farmers for loan. The bank is not so successful to provide loan to farmers as the no. of demands.

Irrespective of versatile objectives, this bank is still facing hurdles on the path of agricultural development. It has become impeccable to study financial performance of this bank in Kanchanpur district. The specific objectives of the study are as follows:

- 1) To examine the challenges faced by this ADBL in Kanchanpur District.
- 2) To examine financial performance of the ADBL in Kanchanpur District
- 3) To provide suggestion for the future improvement program in ADBL in Kanchanpur District.
- 4) To analyze it's internal as well as external financial sources.
- 5) To analyze financial strengths and weakness of the Bank.

1.5 Need and Significance of the Study

Bank is essential for the development of any sector and for the safeguard of money. In the country, there is an increasing competition in the Banking sectors. As Bank, ADBL role is vital for the development of the agriculture sector of the country. Due to the lack of this type of bank farmers had to suffer financial crisis and they are compelled to take loan from private sources. Almost all parts of the country, this bank is serving the farmers and is giving agriculture credit and commercial banking services too.

Till now no study has been done in this sector about the financial performance of ADBL in this district. So realizing the need of the study researcher has selected this topic. Because without the study of this sector it is very difficult to say how this bank is performing its financial activities and its performance. In this study researcher has not included the commercial banking sector in her study due to its own limitation.

1.6 Limitation of the Study

Every work and every sector they have their own limitation. It is very difficult to cover the entire sector at once and it consumes enough time and resource. The limitations of the present study are as follows.

- 1) This study based on the financial report of the Bank as well as views of borrows, authorized persons of the agricultural development bank limited of the Kanchanpur district.
- 2) This study covers just 5 years period from 2061/2062 to 2066/2067.
- 3) This study is based on secondary data.
- 4) In this study, the compiled data of the bank are used, which are provided by the Agriculture Development Bank, Kanchncpur.
- 5) This study does not include the commercial banking transaction of ADBL Kanchncpur District.

1.7 Organization of the Study:

This study has been segregated into five chapters as:

Chapter 1: Introduction:

Introduction deals with general background of the study, a brief review of ADBL, statement of problem, significance of study, limitation of study and design of the study. Introduction of the study consist of brief introduction about origin of ADBL, its working sector and contribution for the enhancement of agriculture and problems related to ADBL.

Chapter 2: Review of Literature

This chapter includes review of conceptual framework and previous related research. For review, the researcher will study previous related research regarding concerned sector of the bank and other related study to make this study more meaningful and to get more idea. To get more ideas about financial aspect, Research and Statistic Research hve already collected and studied different books of well-known writers and finally to get more idea and to gain more knowledge regarding concerned bank, the Researcher has collected lots of publication of bank, other magazine and daily publication of national level magazine, etc.

Chapter 3: Research Methodology

This chapter includes introduction, research design, time period covered, sources of data, analytical tools and research variables. In this chapter researcher will try her best to give definition regarding research methodology, its aim, research design, its population and sample study. This chapter further includes sources of data, collection procedure, tools used to collect data and method to analyze it.

Chapter 4: Presentation of Data and Analysis

This chapter includes the presentation analysis and interpretation of data, which is collected from various sources. This chapter will play the vital role to show the financial performance of the bank (ADBL) in this Kanchanpur district.

Chapter 5: Summary, Conclusion and Recommendation

This chapter includes summary, conclusion and recommendation of the study. Which will beneficial to all the concerns. By the study of this chapter anyone can understand the overall theme of the study.

CHAPTER II

REVIEW OF LITERATURE

2.1 Conceptual Framework

2.1.1 Financial Performance

Financial performance analysis can be considered as heart of the financial decision. The growth and development of any enterprise is directly influenced by the financial policies. Financial performance as a part of the financial management is the main indicator of the success or failure of the firm. Financial condition of the organization should be sound from the point of view of its stakeholders. Otherwise institution like bank's existence cannot be imagined without identifying the financial strengths and weaknesses of a firm by establishing proper relationship between the item of balance sheet, profit & loss Account. Unlike other non-banking financial companies ADBL do not produce any physical goods. They produce loan and financial innovations to facilitate trade transaction. Because of special role they play in the economy, the concerned authorities heavily regulate them. Analysis of this bank's financial statement is different from that of other companies due to special nature of its assets and liabilities

Ratio analysis is a powerful tool of financial analysis. A ratio is designed as the indicated quotient of two mathematical expressions & as the relationship between two more things. In financial analysis a ratio is used as a benchmark for evaluating the financial position and performance of a firm. An analysis of the firm's ratio generally is the first step in financial analysis.

Financial statement analysis involves a comparison of a firm's performance with that of other firm's in same line of business, which often is identified by the firm's industry classification. Generally speaking the analysis is used to determine the firm's financial position in order to identify its current strengths and weaknesses to suggest action that might enable the firm to take advantage of its strengths to correct its weaknesses.

2.1.2 Sources of judging Financial Performance

The firm/bank communicates financial information to users through financial statements and reports. They are the means to present financial situation or position to the stakeholders (concerned).

Financial statement provides information about a firm's position at a point of time as well as its operations over some past periods.

Financial analysis is one of the process of identifying the financial strength and weaknesses of the firm by properly establishing relationship between the component

of B/S, P/L A/C and other operating data. These are the main sources for judging financial position.

Balance Sheet

The second major statement for sources of financial information is income statement. It is also The B/S which is a document that reports the financial position of an organization as of specific point of time. It is one of the most significant financial statements for analysis of financial performance. It shows the clear picture of the financial position of business as well as the assets, liabilities of an organization, the relative proportion of borrowed and ownership capital etc. which are necessary to analyze and evaluate their financial position at a particular period. Hence, this is one of the important resources to examine financial weakness or strength using different tools of any business firm especially here about the bank known as profit and loss account. It may be defined as systematic array of revenues, expenses and other deductions and net income of a business for a state.

Profit and loss Account

The profit and loss statement (income statement) is one of the key financial statement a company publishes. The profit and loss statement is issued each quarter, and a more detailed profit and loss statement is published each year. The profit and loss statement is like a report card on the company's activities. It presents the net addition (i.e., net income) or subtraction (i.e., net loss) to retained earnings from operations over a period of time. The profit and loss statement includes intermediary calculations of income - including gross income, operating income, and pretax income, that are crucial to analyzing company operations. The profit and loss statement also presents earnings per share (EPS), which is central to calculating key valuation measures, like the P/E. The profit and loss statement has its limitations, however the profit and loss statement is for a specific span of time, while a company's activities overlap time-spans. Moreover, critics say, a profit and loss statement is an artificial accounting construction that can only partly measure a company's success.

Income statement of P/L A/C reflects the earning capacity and potentiality of an organization. Income statement presents the summary of revenue, expenses and net income or loss of an organization during specific period of time.

In the context of the bank, loan disbursement and collection, B/S and P/L A/C do not give all the required information regarding financial operation of an org. unless the users properly analyze the information reported in these statements.

Financial analysis is a study of relationship among the various factors pinpointing the strength and weakness of firm so that forecast may be made about

the prospects for future. In the recent time, financial statement analysis has played increasingly important role as a tool for examining the real work of going concern.

Analysis and interpretation of financial statement are attempts to decide the significance and meaning of financial data. So that a forecast may be made for the prospects for future income and expenditure, probability for disbursement of the loan, etc.

Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by single set of statements and a study of trend of these factors.

Financial analysis in the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of balance sheet and profit & loss account. Thus the analysis of financial statement is an important aid to financial analysis.

Financial statement analysis is helpful in assessing the financial position which can help the bank to take investment decision. It is a process of evaluating the relationship between component part of financial statement to obtain a better understanding of business concern's financial health. Different parties can undertake it, but the nature of analysis will differ on the purpose of the users. Financial statement analysis does not provide exact answer but it informs about future expectation.

Financial statement analysis is helpful to the decision maker for finding out favorable or unfavorable situation of business concern.

2.2 Review of Cases Related to the Study

There are various studies conducted in different aspects of bank. Among the banks more researches have been done about joint venture banks and different commercial banks, which play tremendous role in the economy, but banks like ADB/N are not studied much in comparison to other banks. In the present Study Researcher is interested to know about whole financial performance of the ADB/N in this Kanchanpur district. To save herself from the duplication in the study, researcher has tried to consult previous study in this regard but much study is not done on this sector so few previous study about ADB/N sector and other related sector are reviewed in this chapter.

The objective of the study done by **Gorakh Khannal (1983)** ,entitled “A study on Agriculture Credit by ADB/N”, was to analyze the lending activities of ADB/N and to examine the regional distribution as well as cost of credit provided by ADB/N. The major finding of the study are:

There were only 30 offices of the bank in 1970/71 but it got increased to 1941 in 1981/82. The bank disbursed loan amounting to Rs.19.2 million in 1970/71 which increased to Rs. 256.4 million in 1981/82.

The performance of the bank on loan disbursement was better during the 4th plan period than the 5th plan period.

Among the various development regions, Mid Development Region commanded the major share of the capital of total loan disbursed by the bank. The rate of interest charged by the bank was found lower than all other agriculture credit agencies.

Siddhi Bahadur Shah (1985), conducted a research work on “Performance and evaluation of ADB/N”, to evaluate the performance of ADB/N during the period 1970-80, to examine the lending procedure of ADB/N, to analyze the working of institutional financing in Nepal. The major findings of the study were as below:

The annual loan collection was lower than the amount of loan disbursement in the year 1970/071.

The ADB/N provides loan only for agricultural development activities. But it was found that a heavy amount of loan was distributed for individuals instead of co-operatives & village committees. It was a major problem of the loan disbursement to such individuals.

The study of **Jaya Satyal (1985)**, entitled “Performance Evaluation of Agriculture development bank of Nepal”, concluded that because of its expanding activities financing resources has to be increased each year and this trend was more impressive since 1979/80. The outstanding loan of the bank at the end of the year, 1982/83 was Rs. 689483 thousands which indicates the increasing figure of outstanding loan every year. The bank had disbursed the loan according to the need of the farmers. While disbursing loan, top priority was given to cereal, cash crops production and based industries marketing, etc.

Regarding the loan disbursement repayment pattern, **Ganesh Bahadur Chand (1988)**, conducted a research work entitled “Loan Disbursement and Repayment of ADB/N” and the study revealed that the loan disbursement by ADB/N and repayment of loan both were increasing.

The loan collection of bank seemed to be directly proportional to the loan disbursement because both shown movement in the same direction.

The loan disbursement percentage did not decrease from 46.07, every year of the study period. It showed that was a systematic relationship between loan disbursement and repayment of loan.

Repayment situation of disbursement of loan to the production input and industry warehouses, marketing purposes which absorbed major portion of ADB/N

loan reveals very higher percentage of repayment out of total loan as compared to other.

In case of percentage repayment of total outstanding loan production inputs and agro-industry, warehouse, marketing and percentages of repayment to the farm mechanization, irrigation, tea, horticulture and live-stock, poultry and fisheries is less satisfactory.

The research work conducted **Jayanti Shrestha (1989)**, entitled “A study on the impact of ADB/N on Nepalese agriculture”, aimed to study the loan disbursement, repayment and outstanding were of ADB/N to understand to the how far ADB/N has changed the traditional farmer practice, to find out the success of ADB/N and to provide facilities to small farmers, etc.

Economic condition of small farmers was too poor because of the low productivity of the land, it could be improved through the technological changes in this sector.

The bank had disbursed Rs. 59637 thousands 986/87, where as the total repayment in the same period was only Rs. 434378 thousands. This showed that the repayment situation was not satisfactory.

The production of paddy, wheat, maize, tobacco, potato, vegetable etc. had increased after the introduction of tractor.

The objectives of the research work conducted by **Madan Kuma Regmi (1993)**, entitled, “Role of institutional credit in financing Nepalese agriculture”, were to analyze the role of institutional credit in Nepalese agriculture, to examine the trend of present credit distribution pattern of different institutions and pointed out the major problem faced by the existing agriculture credit institution.

Sajha & Cooperatives have dominating role in village level institutions but they were mainly based to large farm size groups.

Although the capability of loan disbursement of ADB/N has increased considerably, but the loan facilities of ADB/N has reached to the target groups at grass- root level.

Institutional credit under various plans financing agriculture seemed that the rate of loan disbursement has decreased throughout the plan period.

Institutional credit was directed towards operational production and capital formation purpose rather than consumption & other purposes.

The study conducted by **Sagar Shrestha (1994)**, entitled “A study on disbursement and collection pattern of SFDP-ADB/N”, concluded that the disbursement and collection policy should be simplified, so that small farmer members should get credit easily. The unnecessary procedures should be avoided which enable the small farmers to get the credit with in a shorter period and get benefit quickly as possible. The unnecessary paper work and formalities make uneasy/boring feeling to the poor and

other borrowers also. So if they want to disburse the loan amount in specific prescribed field, there points should be considered.

The pattern of institutional agriculture financing has been analyzed by **Ashok Bahadur Amatya (1998)**, in his thesis, entitled, “Institutional Agriculture Financing in Nepal”. The objectives of the study are to analyze the operation and achievement of ADB/N in Doti district, to examine the increasing trend of outstanding loan in the district & its causes. The study concluded that:

Outstanding loan to sampled household between the period 1973/74 to 1981/82 had shown increasing trend.

The analysis of repayment and outstanding loan, showed that, taken by small farmers group of the samples household for the purpose of fruits, buffaloes, irrigation & cardamom plantation had not been repaid.

Repayment of loan in each class of the sample household, which has covered only eight households, were only 19 percent of the total households repaid and remaining loan was not paid.

Mr. Rudra Prasad Dahal (1999), in his article entitled, “Agriculture development bank today and tomorrow”, concluded that ADB/N is only such types of financial institution which is working in remote places of the country. In comparison to ADB/N, other financial institutions are not able to reach on remote area and to enlarge their services.

Not only in crop cultivation, it is also providing its support in agriculture, horticulture, sugarcane, special crops, etc. It is playing an important role in production, processing, storage, marketing management and so on.

It is also playing important role to establish rural agro based and cottage industry by providing loan. From it getting employment in different sector directly or indirectly benefits many people in the country. It is also providing a lot of support to modernizing agri.-tools (tractor, irrigation, machine, etc).

It is giving a lot of support to the people of terais & hilly region families by providing capital and technical suggestions to establishe bio-gas plant. From the year 2032 B.S., for poverty alleviation, it had started group-based work to increase the capability of technical skills and management aspects. It is the first bank, which has started such a group concept to enhance managerial and technical capacity by grouping deprived section of the society.

Mr. Devendra Pratap Shah (2000), in his article entitled, “For the continuity of reform program”, concluded that due to the conflict situation of the country it is very difficult for the bank staffs to do collection because of the threatening of the Maoist. In many district staff feel frightened to visit the field. In some places collected amount also looted by the Maoist. Due to security problem, not only SFDP, big branches are also shifted in center. Many new offices cannot open. Due to Nepal

Bandh and other incident happened in the country many sectors are badly affected and ADB/N cannot remain isolate by the situation of the country.

To increase the disbursement and to boost the production according to the climate, market feasibility, entrepreneurship, etc. Much emphasis should be given on special types of crops and branches should run according to the responsibility concept. ADB/N is doing a lot through SFDP for poverty alleviation but due to many reasons there are many problems. Staffs are reluctant to stay in the village. Maoist are trying to remove SFDP from village, due to it there is less support of donor agency.

Dr. Shiv Sharma & Mr. Ram Kumar Sharma (2003), their article entitled, "Review of macro economic environment for agriculture growth", concluded that the high and sustainable overall economic growth of a country is the key factor for creating a congenial environment for production, employment generation and alleviation of poverty of the total economic activities. Agriculture is the mainstay in Nepal as it is the main source of livelihood for majority of Nepalese people.

Agriculture Development Bank of Nepal was established to cater the credit demands of farmers in 1968. The Nepal Rastra Bank (NRB) is also making refinance available to ADB/N. The NRB's assistance to ADB/N is primarily guided by the idea that without the development of agriculture, economic growth in general and eradication of poverty in particular cannot be achieved. Keeping this objective in mind, ADB/N is mobilizing funds and extending resources to the rural sectors. With a view to facilitate this process, some ADB/N branches are permitted to conduct banking services in urban and semi urban centers. A Large amount of funds thus collected from the urban and semi-urban centers is transferred to the rural areas. Apart from this ADB/N is also operating small farmers development projects (SFDP), since 1975. The government used to provide subsidized inputs to framers in the past. These subsidies included chemical fertilizers, irrigation, biogas, solar energy, small hydropower, food transport to hills and interest subsidy to micro-farm loan. The ratio of providing subsidies was to encourage farmers to use modern agriculture inputs and there by increasing agriculture production and productivity. But because of budgetary pressure and policy of liberalization, these subsidies enhance market competitiveness and also curtail rich Nepali and Indian farmers are abstaining from subsidy provided by HMG/N. Resource poor farmers are abstaining from modernizing their farm, as they lack liquidity and incentives. Technology adoption also might have slowed down consequently and productivity is not accelerated. This is also affected the Nepalese agriculture as well as Indian agriculture. India still continues the practice of fixing minimum support and procurement prices where as Nepal has withdrawn from it.

Mr. Yogendra Regmi (2004), in his article "Factors affecting profitability of the bank", concluded that to run the bank there is the need of different types of expenses like staff expenses, office expenses and other expenses. These expenses can

be controlled by increasing efficiency, effectiveness, knowledge, skill, strength, etc. To increase the income of bank there is a need to increase quality of loan .It should not disburse loan rather than to disburse in poor sector where there is less possibility of refund. While disbursing loan, there is the need to do proper identification and selection of mortgage, reliable and responsible customer should be selected. There is also the need to motivate (rememorize) the customer for timely payment of interest.

On the name of recovery of loan, there is increasing the 'Sakar Gareko Sampati (Assets)'. These types of assets do not give any return to the bank. So this types of unproductive assets should be converted into liquid assets by selling it and the bank should develop such a policy.

Mr. Badri Raj Subedi (2004), in his article "Message delivered by ADB/N statistical figure", stated that interest income can be earned by disbursing loan. If loan is disbursed without proper analysis then neither interest nor principal can be refunded & overdue problem will arise. Due to it there is need to keep provision of doubtful debt. Therefore bank should not invest on such a project where there is less chance of recovery. Reform program of the bank has also taught the same lesson. There is a trend to do investment forgetting the negative aspect. It is also a responsible factor behind increasing non-performing principal and interest. It has become necessary to be clear about either bank to do investment or distribution. Bank should not loose its strength and bear the burden of non performing assets. It should try to do its utmost effort to convert such assets into performing assets. For it bank should try to reduce such mortgage.

As regards the condition of revenue and expenditure **Dev Hari Subedi (2005)**, successfully conducted a research work entitled "Revenue and Expenditure of Agriculture Development Bank (A case study on commercial sector)".The study concluded that, the analysis of the position of deposit in ADB/N show that the deposit raised by the bank are not properly utilized. This also reflects the lack of definite policy of ADB/N.

Although ADB/N has not met its social obligation. It has failed to meet commercial sprit. Opening new branch and investing money in different sector of the economy without consideration its commercial viability has ultimately resulted in the low return on investment.

There has been sharp increase in the bank branches throughout the country. However, they have not grown at desired rate.

Higher collection of deposits has facilitated the bank to provide higher volume of loans and advances.

In the commercial banking transaction, direction of NRB is not being followed as there is not classification of loans and interest is not generated in revenue.

Current assets of the Bank were less than current liabilities, during the study period. It indicates that ADB/N commercial sector currently, is not capable to pay its current obligation.

During the study period it is found that ADB/N's quick ratio position is not well according to traditional rule though the increasing trend seems to be satisfactory.

Cash and bank balance position of ADB/N with respect to deposit is not satisfactory.

The funds collected from investors are properly mobilized in later years than the previous year. Return on shareholders equity is in increasing trend, which is a good result.

The earning per share is increasing every year-by-year reflecting satisfactory trend for the financial viability in the future of Bank.

Deposits are increasing; consequently, interest expenses are also increasing.

Spread income is major source but spread and burden income is negative so the bank is in operation of loss. Trend of P/L share that the decrement size loss is fluctuating.

Regression analysis has shown that more than 30% deposit invested in loan and advances. Earn Rs. 0.687 as revenue against Rs.1 investment made. It shows that position of revenue is very weak.

Ratio of interest income to total income is almost more than 92%. It shows that the bank is more depended on interest income.

Ratio of other income is less than 8%. So ABD/N should be more careful to collect income from other source.

Dr. Manohar Krishna Shrestha (2005), in his article, "Commercial Banks Comparative Performance Evaluation" concludes that, JVBs are operationally new, efficient, having superior performance while comparing to other local banks Better performance of JVB is due to sophisticated technology, modern banking system, method and skill. He further remarks that local Banks are efficient and expert in rural sectors dealing but having number of deficiencies, they are lacking to generate required revenue. So the local bank has to face growing constraints of socio economic political system on spectrum and that of issues and challenges of JVBs, commanding significant business on other spectrum.

Dhruba Kumar Shrestha (2006), conducted a research work to access the financial position of the bank and the study revealed that.

) The major source of revenue of ABD/N is interest on loan and major head of expenditure is interest on deposit.

-) The bank has over staffing problem. There are a large number of non-permanent staff that are appointed with no functioning requirement.
 -) Though the repayment rate is increasing over the years profit picture of bank is gloomy.
 -) Though total deposit collection is in increasing over the year. It is good for investment opportunity to the bank and overdue loan has also been increased every year. It is great challenge to the bank.
 -) The increase in interest receivable over the year, is a challenge for bank because it increases the doubtful debt account.
 -) Regression between loan and deposit shows that out of Rs.1 deposit, Rs. 0.9457 will be invested as loan. And regression between cost and revenue shows that every Rs.1 earns only Rs.1.0407 as revenue.
 -) Liquidity position of bank is weak. Bank is not able to pay its current obligations.
 -) Likewise cash and bank position of ADB\N with respect to deposit is not satisfactory.
 -) Though earning per share is increasing every year it is not adequate in relative to investment.
 -) Ratio of other income to total income is less than 5% so bank should be more careful to collect income from other sources.
 -) There is a frequent and continuous governmental interventions, which hamper the smooth functioning of the bank.
 -) The customers require to go through lengthy and complicated process to get loan. Dhruva Kumar recommended the suggestion that more than 90% people live in village so without due consideration to this rural mass, the economic and social development in the country is unthinkable. The geographical barrier and the limited resources have resulted social disparities in the country. So in such situation ADB\N should also strive for overall economic development of the country. The main sources of funding are internal borrowing the bank has to reduce dependability and find out way to build up resources base.
- He further recommend following suggestions to improve the existing situation.
-) Amount of loan collection of ADB\N is in increasing trend but percentage of loan collection is not satisfactory. Due to this reason the provision for doubtful debt is going to increase every year. So management should give keen attention to that collection of loan and interest.

-) Interest receivable of bank is increasing on an average. It increases doubtful debt account. So management of bank should take step to reduce its interest receivable immediately.
-) The bank is not able to pay its current obligations. So it should be more liquid than current position. It is better to increase its current ratio to 2:1.
-) Return on assets ratio is decreasing last two fiscal years during the study period. So bank management should take immediate action to increase this ratio.
-) During the study period return on shareholders equity ratio is not constant. In secondary market, it indicates bad impression to the potential investors.
-) EPS indicate the shareholder weathers wealth last fiscal year of the study period EPS is not satisfactory, so bank should maintain its EPS at least previous fiscal year.
-) Interest on loan is the main source of income. So bank should increase the share of income form non-finding business source (i.e. bank guarantee, bill discount, bank draft and so on) and other sources.
-) ADB/N is suffered by overstaffing. There is golden handshake program to manage this problem but not effective. Bank is unable to retain efficient staffs.
-) Unnecessary legal formalities has badly affected the ADB/N. Bank is unable to grasp opportunities from environment due to these formalities. Bank should be free from these formalities. If so, bank would be able to attract the valuable clients.
-) ADB/N has suffered by government and political interventions. Most of temporary staff are appointed on the basis of political ideology. They do not work in the interest of bank but they influence even managerial jobs of the managers.
-) ADB/N is lurching commercial banking sector since 2040 B. S. It is purely profit-oriented program of the bank. So branch of commercial banking sector should be opened only in profitable areas on the basis of rate of return expected.
-) Monitoring evaluating and controlling mechanism of the bank is not effective. Good leadership and participative management are essential for effective monitoring, evaluating and controlling.
-) “Reform program 2054” of banking is beneficial for both bank and clients. It should be brought into publicity, so that, they accept it as their own program.

Mr. Mahendra Kumar Shrestha (2007), in his thesis, entitled “Performance Evaluation of Agriculture Development bank as source of Agriculture Credit in

Nepal”, state that the main problem in agriculture is related not only to agriculture finance but also with other non monetary factors such as input , lack of technical knowledge and landlessness. Therefore all these factors should be taken into consideration while introducing modernization process in this sector.

He further states that in our country credit is one of the indispensable factor for the agriculture development of the country. Only the personal saving does not meet financial need for farmer. Financial institutions help to meet the need of the farmer. Therefore, the farmer who has very small capacity to save due to their low level of income, credit becomes indispensable for them to purchase modern farm machinery, improved seeds and fertilizers, to develop the market-oriented agro-business and so on so forth.

) ADB/N had been devised as an instrument for easy accessibility of credit for poor farmers, but in its operation mainly large and medium farmers have been benefited by its credit. Small and very small farmers have still to depend on traditional sources.

) Thus, majority number of the farmer has preferred to approach co-operatives, village moneylenders, friends and relative for credit. They have given least preference to ADB/N in comparison to these agencies.

) Outstanding ADB/N credit is mounting because of poor recovery situation due to misuse of loan in non-productive use.

) Non-borrowers and borrowers both have complain about high interest rate, stringent security rules and difficulties in securing loans on time of need.

) To make agriculture credit more purposeful as well as more effective he suggests some recommendations as follows.

- 1) The studies have inference that people in the hilly areas are shy nature and are generally reluctant to mix up with the outsider. It is therefore imperative that the bank staff should be properly trained, among other thing to develop cordial relationship with the village. The staff should also be asked to mix up with people and work like a friends, philosopher and guide them. This will lead to the creation of a congenial atmosphere, which will in a big way, help the bank in recovering the overdue.
- 2) A number of borrowers pointed out that they themselves delay the repayment in order to meet their other urgent needs as they had experienced under cut of loans, so repayments are delayed. Thus there are immediate needs that bank financing should become a regular and constant feature in these areas. So that villagers

should be encouraged to avail of the benefit from the various banking scheme offered by bank for their socio-economic growth.

- 3) Efforts should be made to visit the area in groups for recovery purposes, the field staff of all the branches of bank where the services are common or adjoining to each other should jointly go for recovery trips.
- 4) ADB/N credit provision must not be security based against loan rather it should be service oriented.
- 5) ADB/N should keep watching over the farmers to make the loan used, properly or not.
- 6) Complexity in the lending process of ADB/N should be avoided.
- 7) Recovery camps should be organized during recovery seasons in and around the areas where there are heavy overdue.
- 8) The bank should launch a campaign for imparting primary knowledge as a part of its function. It provides timely knowledge about modern innovations to the farmer.
- 9) If a borrower does not repay loan, in spite of persuasions and if all the normal methods for recovery have been exhausted, banks should file the suit. It has been found that the field staff waits till the limitation period expires, even if a loan been misutilised right from the beginning. In such cases, delay reduces the chances of recovery. Thus it is suggested that, immediate action should be taken which will not only improve the chances of recovery of the loan but will also serve as a lesson for others, who may like to misuse the credit. Similarly, in case of willful default, no time will be lost in taking decision. The bank should periodically discuss the progress of court cases and proper action should accordingly be taken.
- 10) There is lack of transportation facility in the country, especially in hilly regions in the one hand and the offices of ADB/N are mainly concentrated in the head quarter of the district on the other. It has created serious problems for rural people because the majority of farmers are living in the rural areas and as there is no transportation facility. It takes many hours to reach there on foot, so there is least possibility of getting loan or depositing there saving by small farmers who work daily from morning to evening for their livelihood. So it is suggested to expand the number of branch and sub-branch offices in the rural parts of the country.
- 11) Though ADB/N provided inputs for enhancing large agricultural production but the Nepalese farmers do not know the input production. Only providing inputs do not guarantee high production, if combination of inputs falls behind. So ADB/N should made the farmers acquainted of input combination and input production relationship.

- 12) Our agriculture is mainly dependent on vagaries or nature. The degree of dependence increases further more in case of smallholdings owned by marginal farmers. In case of the failure of crops, they find it hard to maintain themselves and the question of recovery of loans by ADB/N becomes impossible for some successive year. To meet such a situation, risk stabilization fund must be created by crediting sums from different sources.
- 13) It is also essential that overdue should be monitored periodically at the branch and controlling office. In this connection, it is important to ensure that the demand collection and balance register be properly maintained.

Research Gap :

This study will try to show the current issue, latest information on financial indicators, data and real picture of financial performance of ADBL Kanchanpur District. This study covers the recent financial data, NRB circular and guidelines. Studies previously conducted to show latest pictures of financial indicators, researcher covered the recent financial performance and collect the latest information of changes that occur in this period.

The Agriculture Bank had been working just for agriculture development before 2063 under remaining, Company Act 2063. Later on Company Act 2063 was changed & Agriculture Development Bank became Agriculture Development Bank Ltd and its working activities also become broad & regulating new different activities. The overall disbursement of cereal crop, cash crop, horticulture, irrigation, bio-gas, Agri. & domestic industry, Agri. Business, Non – agri. credit details of data are related up to 2063. Since 2063, those overall disbursement pattern in different topics have been changed, like the cereal crop, cash crop, irrigation, agri. business & horticulture disbursement topics have been compiled as Agriculture activities as well as the bio- gas & agriculture and domestic industry disbursement topics have also been compiled as production. The Trend Analysis of loan disbursement on different topics has also been carried out on the same basis. Hence, this study fulfills prevailing research gap of analysis of the financial performance of ADBL Kanchanpur.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research design

A research design is a plan of the proposed research work. Stated in simple language, it is a plan of action, a plan for collection and analyzing data in an economically efficient and relevant manner. It is a blueprint for the research. It is conceptual structure within which research is conducted.

A research design is not a highly specific plan to be followed without deviation, but rather a series of guide posts to keep one headed in the right direction. A research design should be based more or less on some methodology. The research design should be made once the topic of problem of research, have been selected and formulated, objectives have been properly outlined, concepts have been properly defined and the hypothesis or hypotheses have been properly framed. The process of a study is best promoted by a research design, which can be definitely helpful in achieving optimum objectivity, efficiency and reliability. However, any research design is only tentative in the sense that as the study progress, new facts, new ideas and new conditions may make their appearance, which may necessitate a change in original plan. This research design cannot be an inflexible plan. A flexible research design which provides opportunity for considering many different aspects of a problem, is considered appropriate if the purpose of the research study is that of exploration .But when the purpose happens to be an accurate description of situation or of an association between variables, the suitable design will be one that minimizes bias and maximizes the reliability of the data collected or analyzed. A good design is often characterized by adjectives like flexible, appropriate, efficient, economical and so on. Generally, the design which minimizes bias and maximizes the reliability of the data collected and analyzed is considered as a good design.

In other words research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact the research design is the conceptual structure within which the research is conducted. The research design of this study is both analytical and descriptive.

3.2 Source of data

The research is conducted on the basis of primary and secondary data .Present study is mainly based on secondary data. However, necessary suggestions are also taken from various experts concerning the Bank.

The necessary financial data is obtained from different Branch, Sub branch offices as well as regional office of ADBL, which is located in Dhangadhi . Likewise other necessary information are also obtained from the monthly report of bank ,Samachar , other publication , annual report of this bank , annual report of the regional office Dhangadhi ,report and other published materials like newspaper, journals , magazines , test book, websites and other thesis .

The researcher has also obtained information through an informal talking with official of regional, branch and sub branch of ADBL as well as agriculture related officials and farmers (who frequently visit the Bank) in Kanchanpur.

3.3 Population / Sample of the study

This study is based on the overall financial performance of ADBL, Kanchanpur of all branches except the commercial banking office. ADBL of this district comprises of 3 branch and one sub branch office established in different parts of the district. It's working in one municipality (Bhimdatta municipality) & 3 VDCs (Suda, Belauri, Dodhara Chadani). It is considered as the population the present study.

3.4 Procedure of the data collection

In order to obtain the required data and information, the researcher made several visit to the concerned banks of ADBL and conversed with the concerned personnel. The researcher also visited regional ADBL of Far Western Development Region to get factual information and other bulletins and publication of bank. Besides it, for the detailed study and for review of literature the researcher has visited library of Kailali Multiple Campus (Dhangadhi).

In spite of it many other necessary information are collected through observation and formal as well as informal discussion with the concerned authorities of the bank under study.

3.5 Methods of data analysis

All the analysis will be used on secondary data. The secondary sources of data and those which are publicities available in before hand in this study data, are collected from different sources ,Agriculture Development Bank Website such as www.ADBL.gov.np; www.google.com and the respective firms. Central office of this organization's annual report is collected and some related information are taken from people concerning and relevant to the study. The analysis of data of 5 years will be taken as sample from 2061/02062 to 2065/2066. These will be analyzed in two ways.

- i. using financial tools
- ii. using statistical tools

3.6 Tools and Techniques of Analysis

3.6.1 Financial Tools

Financial tools are those, which help to study the financial strength and weakness of the sample firms. The financial tools used in this study are as follows

- iii. Ratio Analysis
- iv. Revenue Analysis
- v. Expenditure Analysis
- vi. Profitability Analysis
- vii. Other Analysis

Ratio Analysis

Ratio analysis is a powerful tool for financial analysis. It has been a major tool used in the interpretation and evaluation of financial statement since late 1800. A widely used tool of financial analysis is ratio analysis .It refers to the numerical or quantitative relationship between two items or variables.

The ratio helps the researcher to make qualitative judgment about the firm's financial position and performance. Ratio analysis is an important way to state meaningful relationship between components of financial statements. Ratio, guides in evaluating the financial position and operations of an organization and helps them comparing with past year or with other organizations .A ratio is calculated by dividing one item of the relationship with the other.

The ratio analysis involves comparison for useful interpretation of the financial statements. Ratio is quantitative relationship between items .It is defined as a systematic use of ratio to interpret the financial statement so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined.

Financial analysis is used as an index or a yardstick for evaluation of the financial position and performance of a firm. Ratio analysis is a yardstick tool to evaluate the financial performance and conditions of the firm.

The operational and financial problems of a business concern can be ascertained by examining the behavior of these ratios. Financial ratio helps to make qualitative judgment. The objective of the present study is to compute, analyze and interpret financial ratio so as to determine their behavior in financial institution.

As a tool of financial analysis ratio can be expressed in term of percentage fraction or a stated comparison between numbers.

Ratio analysis involves basic standards of comparison for a useful interpretation of the financial statements. A single ratio by itself does not indicate favorable or unaffordable condition of a firm unless it is compared to some

appropriate standard. Selection of proper standards of comparison is the most important element in ratio analysis.

Ratio analysis provides guides and clues especially in spotting trends towards better or poor performance and in finding out significant deviation from any average or relatively applicable standard.

There are different types of ratios, which can be used for financial analysis of bank.

Revenue Analysis

Bank generate revenue from different sources. Interest income is the major source of revenue. There are fund and non-fund based income. Interest income is fund based and other are non –fund based income. More revenue encourages the bank to enlarge its sector. Higher interest collection of Bank means good performance of Bank and vice versa.

a) Interest Income to total income ratio

Interest income has been the prime source of income to banks. This ratio shows the position of interest income to total income.

b) Other Income to total incomes ratio

It is computed by dividing other income by total incomes. Interest income is main source of income to the bank. So in this study all kinds of revenue income except interest income included in other income.

Expenditure Analysis

Expenditure on Employees & offices, discount on interest, doubtful debts and other miscellaneous expense are the main items of expenditure in banks. This study represents expenditure of 5 years. The ratios that are being analyzed under this heading are staff expenses to total income ratio, office expenses to total income ratio, discount on interest to total income ratio, doubtful debts to total income ratio and other expenses to total income ratio.

Profitability Ratio

Profitability is a measure of efficiency and the search for it and provides an incentive to achieve efficiency. Profits provide the money for repaying the debt incurred to finance the project and the resources for the internal financing expansion. The profitability of a firm can be measured by its profitability ratio.

A company should earn profit to survive and grow over the time. Profit can also be defined as an ultimate output of the company and it is calculated to measure operating efficiency of the company. Besides management, both creditors and owners are interested on the profitability of the firms because creditors and owners are

interested in the profitability of the firms because creditors want to get a reasonable return on their investment.

Profitability ratio measures the overall performance of the firm by determining the effectiveness of the firms in generating profit. In the context of bank it is calculated by relating the profit on its investment.

The major profitability ratio, which has been implemented in the present study, is:

return on assets –

This ratio is important for measuring the profitability of funds. It measures the firm's return on investment of financial resources. It shows relationship between profit and total assets. It provides the information about the proper utilization of the resources. Lower return of asset means lower profit and higher return means higher profit.

In this study the ratio is examined to measure the profitability of all financial resources in the form of bank assets.

The ratio is computed by:

$$\text{Return Assets} = \frac{\text{NPAT}}{\text{Total Assets}}$$

Where, NPAT = Net Profit after Tax

Other Analysis

Apart from the ratios that are being already mentioned there are certain ratios that has helped in analysis the financial performance of ADBL Kanchanpur District. The ratios are cash and bank balance to total assets ratio, fixed and other assets to total assets ratio and outstanding loan to total assets ration.

3.6.2 Statistical tools

In this study collected data from various sources are managed analyzed and presented properly with the help of formats and tables. It further analyzes the collected data using statistical tools such as trend analysis and correlation according to need.

i) Trend analysis

Trend analysis is a statistical tool, which will highlight the previous trend of the financial performance and helps in forecasting the future financial results. Trend analysis is done to know how much it would be in next year if it follows the pattern of past year. This study analyses the trends of loan disbursement, lone collection, interest collection, loan outstanding, overdue loan and interest receivable.

ii) Correlation analysis

The correlation is a statistical tool which, studies the relationship between two variables and correlation analysis involves various methods and techniques used for studying and measuring the extent of the relationship between the two variables.

“Correlation analysis contributes to the understanding of economic behavior aids in locating the critically important variables on which others depend, may reveal to the economist the connections by which, disturbance spread and suggest to him, the paths through which stabilizing forces may become effective.” (W-A-Neiswanger)
Correlation can be either positive or negative.

Correlation is defined as the relationship between (among) the one dependent variable (or factor) & one (or more than one) independent variable or factor. In other words correlation is the relationship between two or more variables. For e.g. agricultural production is dependent upon the quality of seed fertility of soil, amount of rainfall and fertilizer used.

As the expenditure depends on the income. An increase in the monthly income results in increase in, monthly expenditure. Hence the two variables income and expenditure are said to be positively correlated.

As the demand of any commodity depends on the price of that commodity. An increase in the price of the commodity results in decrease of the quantity demanded. Hence, the two variables price and demand are said to be negatively correlated. Similarly an increase in the amount of fertilizer used, irrigation, insecticide etc and results in increase of agricultural production and so on.

Thus correlation is a statistical tool. With the help of which we can determine whether or not two or more variables are correlated and if they are correlated the degree and direction of correlation is determined.

The formula for measuring correlation coefficient by Karl Pearson's method is -

$$R = \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}}$$

The values of the collection of correlation shall always be between 0 and 1.

When $r = +1$, it means there is perfect positive correlation between the variables.

When $r = -1$, it means there is perfect negative correlation between the variables

When $r = 0$, it means there is no relationship between the two variables.

The computation of correlation in the study highlights the relationship between overdue and doubtful debts, profit and interest income and expenditure and doubtful debts.

iii) Probable error

The probable error of the co-efficient of correlation helps in interpreting its value is obtained by using the following formula –

$$PEr = 0.6745 \frac{1-r^2}{\sqrt{N}}$$

If the value of $r < PEr$ then there is no evidence of correlation and value of r is not at significant level. If the value of r is more than six times of the probable error (PEr) then it means both the variable are highly correlated at significant level.

3.7 Presentation and Analysis of Data

The presentation of the data broadly classified into the following two categories:

- i) Tabular Presentation
- ii) Diagrammatic or Graphic Presentation

The process of arranging the data into groups or classes according to resemblances and similarities is technically called classification. Thus classification of the data is preliminary to its tabulation. It is thus first step in tabulation.

On the others hand the diagrams and graphs are nothing but geometrical figures like points , lines , bars ,squares ,rectangle, circles ,cubes etc, pictures, maps or charts.

It is important, convenient, appealing and easily understood method of the form of diagrams and graphs.

In this study also the researchers will try her utmost effort to analyze the data with the help of tabular presentation and graphic and diagrammatic presentation applying appropriate research methodology.

CHAPTER IV PRESENTATION AND ANALYSIS OF DATA

4.1 Analysis of Disbursement and Collection of different activities

Agriculture Development Bank of this Kanchanpur district has been doing its disbursement in different agriculture and non agriculture sector according to the demand of the people who are mainly engaged in agricultural activity by accepting mortgage to assure the refund of loan.

Loan investment is the major source of earning for the bank. It plays a major role to increase the revenue of banks.

The loan is default free then interest can be collected easily and refund of loan is also possible but if there is no-good disbursement of loan then it is very difficult to receive the interest as well as refund the disbursed loan . It shows the worst performance of the bank. The position of overall disbursement of ADBL Kanchanpur district during the study period has been presented in table 4.1

4.1.1 Analysis of Overall disbursement

In this topic researcher has tried her best to analyze the data by tabulation and presenting inn graph to find out their trend indifferent FY .ADBL in Kanchanpur district doing its disbursement in different topic according to the demand. The position of overall disbursement of ADBL during the study period has been presented in Table 4.1

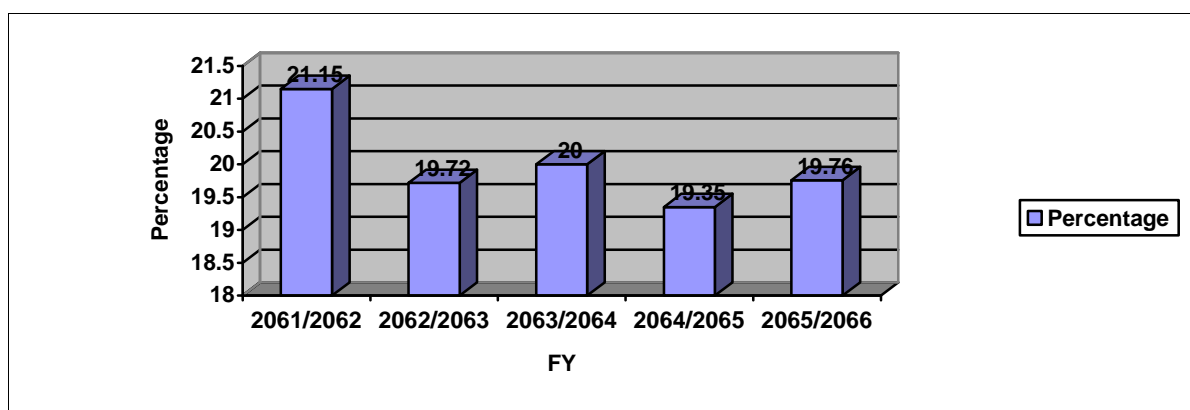
Table 4.1
Overall Disbursement of loan

Fiscal year	Amount (Rs in '000)	Percentage
2061/2062	141233	21.15426
2062/2063	131671	19.72203
2063/2064	133567	20.00602
2064/2065	129215	19.35417
2065/2066	131948	19.76352
Total	667634	100

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.1 indicates that overall disbursement was highest in FY 2061/2062 and lowest in FY 2064/2065, in terms of percentage, it was 21.15426% and 19.35% respectively. The total disbursement loan was sometime decreasing and some time increasing during the study period followed by 21.15%, 19.72%, 20%, 19.35%, 19.76%, & 19.76 from FY 2061/2062 to 2065/2066 respectively. This trend is presented in figure 4.1

Figure 4.1
Overall Disbursement of Loan



The Agricultural Bank had been working just for Agriculture Development before 2063 under remaining Company Act 2063. Later on Company Act 2063 was changed. The Agriculture Development Bank became Agriculture Development Bank Ltd, and working activities also become broad. After being limited bank, the agriculture bank also has been regulating new different activities. Before 2063 the bank was not Agricultural Development Bank Limited. In that time this bank was just development bank, so we get just 2 years data of the disbursement which are as follows:

4.2.2 Analysis of disbursement in Cereal Crops

Cereals are the one of the main crops in this district. Most of the farmers of this district are earning their livelihood through it. Cereal crops consist of wheat, paddy, maize, millet And so on. In this sector ADBL had disbursed as shown in Table 4.2

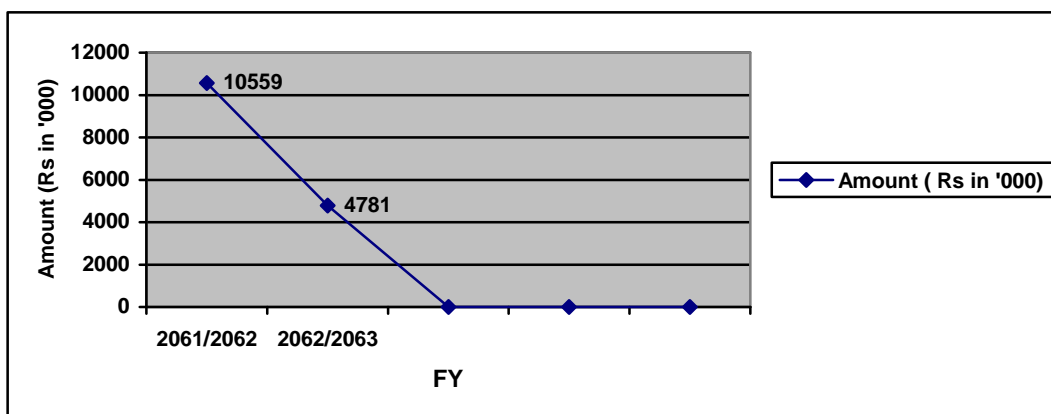
Table 4.2
Disbursement in Cereal crops.

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	10559	68.83
2	2062/2063	4781	31.17
Total		15340	100

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table states that there was highest disbursement in cereal crops in the FY 2061/2062 and the lowest in FY 2062/2063. In terms of percentage, it was 68.83% & 31.17% respectively. In this time this was only a development bank.

Figure4.2
Disbursement in Cereal Crops



4.1.3 Analysis Disbursement in Cash Crops

Cash crops comprises of sugarcane, vegetable, oil seeds etc. ADBL of this district had disbursed for the same as shown in Table 4.3

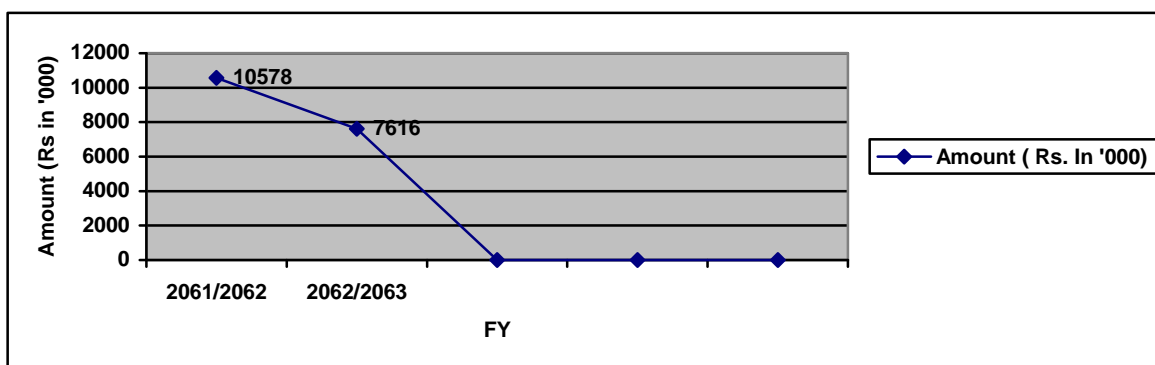
Table 4.3
Disbursement in Cash crops.

S. N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	10578	58.14
2	2062/2063	7616	41.86
Total		18194	

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.3 revealed that there was decreasing trend of disbursement on cash crops up to FY 2061/2062 to 2062/2063. In terms of percentage, the disbursement was 58.14% & 41.86%.

Figure4.3
Disbursement in Cash Crops



4.1.4 Analysis Disbursement in Irrigation

It is a well-known fact that irrigation is the first and foremost need of the agriculture sector. In past the government used to give subsidy in this sector but later on the government changed policy and thereafter farmers started to take loan from different bank. Situation of irrigation loan provided by ADBL during the study period has been presented in Table 4.4

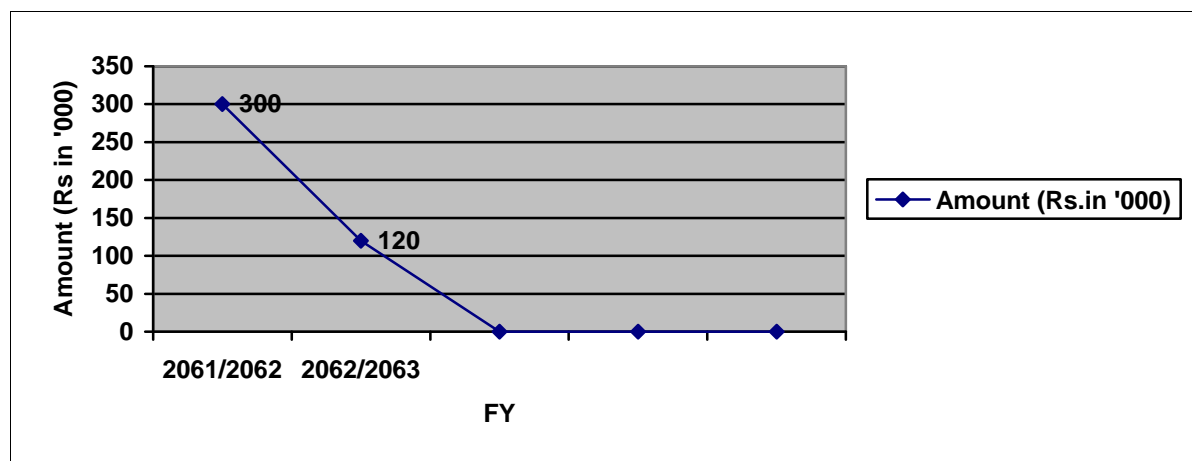
Table 4.4
Disbursement in Irrigation.

S.n	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	300	71.43
2	2062/2063	120	28.57
Total		420	

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

It is observed from above table 4.4 that the disbursement amount was decreasing. The Bank disbursed the highest percentage (71.43%) & lowest percentage (28.57%).

Figure 4.4
Disbursement in Irrigation



4.1.5 Analysis Disbursement in Biogas

In this district biogas has become a good source of fuel for cooking. Generally rural people use this gas because for this, there is need of dung of buffalo, cows etc. So there was fluctuating demand of loan from this sector as shown in this Table 4.5

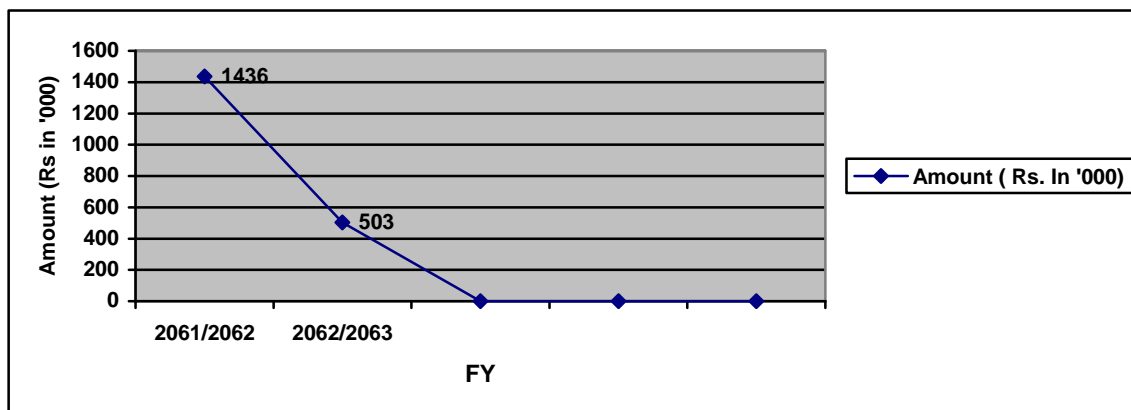
Table 4.5
Disbursement in Biogas

S.n	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	1436	74.17
2	2062/2063	503	25.94
Total		1939	100

Source :-ADBL Branch office of Kanchanpur District , FY 2061/2062 to 2065/2066
Table 4.5 showed that the disbursement in biogas. In term of percentage 74.17% in FY 2061/2062 & 25.94% in FY 2062/2063.

In biogas, if investment done once then in same place there is no need to do investment again and again. On the other side due to increasing urbanization and availability of LP gas, the demand of loan on this sector is decreasing.

Figure4.5
Disbursement in Biogas



4.1.6 Analysis Disbursement in Agriculture and Domestic Industry.

Agriculture and domestic industries are also the sectors for disbursement of ADBL. It has been giving loan as shown in Table 4.6

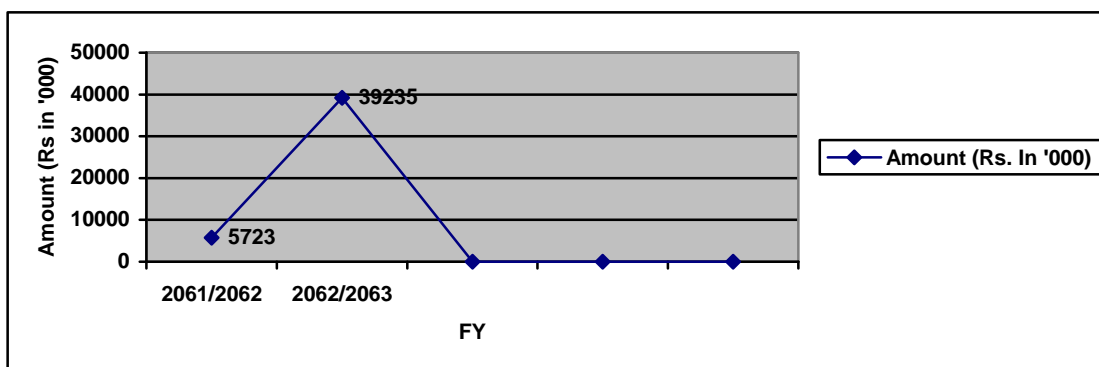
Table 4.6
Disbursement in Agriculture and Domestic Industry .

S.N	Fiscal year	Amount (Rs in '000)
1	2061/2062	5723
2	2062/2063	39235
Total		44958

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.6 showed that disbursement in agriculture and domestic industry are increasing every year. In term of disbursement loan Rs. 5723 in FY 2061/2062 and in Rs. 39235 FY 2062/2063. The trend has been presented in Figure 4.6

Figure 4.6
Disbursement in Agriculture and Domestic Industry



4.1.7 Analysis Disbursement in Agriculture Business

Here in this district disbursement in agriculture business comprises of disbursement in buffalo rearing , goat rearing , poultry farming , fishery, etc. as shown in table 4.7

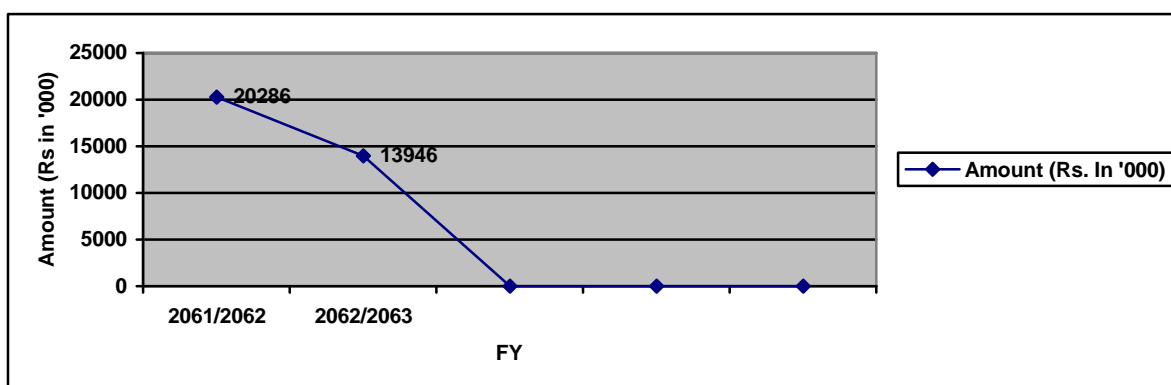
Table 4.7
Disbursement in Agriculture Business

S.N.	Fiscal year	Amount (Rs in '000)
1	2061/2062	20286
2	2062/2063	13946
Total		34232

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.7 highlighted that amount of disbursement in agriculture business was decreasing. It is further revealed that among two fiscal years. In terms of disbursement loan Rs. 20286 (in, 000) in 2061/2062 & Rs. 13946(in, 000) in 2062/2063. The trend has been presented in Figure 4.7

Figure4.7
Disbursement in Agriculture Business



4.1.8 Analysis Disbursement in Horticulture

Horticulture is also another sector of disbursement for ADBL. Unlike hilly regions there is not much production of fruits in this district. Banana farming is becoming more famous so there is also demand of loan for its production as shown in the table 4.8

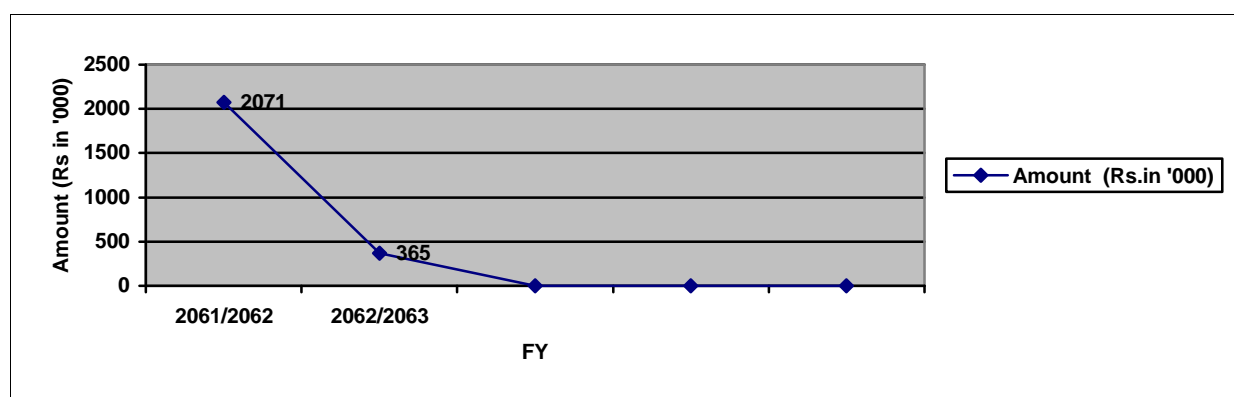
Table 4.8
Disbursement in Horticulture

S.N.	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	2071	85.02
2	2062/2063	365	14.98
Total		2436	100

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.8 stated that amount of disbursement was decreased in next year. In terms of percentage it was 85.02% in FY 2061/2062 & 14.98% in FY 2062/2063.

Figure4.8
Disbursement in Horticulture



4.1.9 Analysis Disbursement in Non-agriculture Business Loan

ADBL has started to give this loan from the FY 2058/059. Before it there was no policy for disbursement in these sector as shown in table 4.9

Table 4.9
Disbursement in Non-agriculture Business Loan.

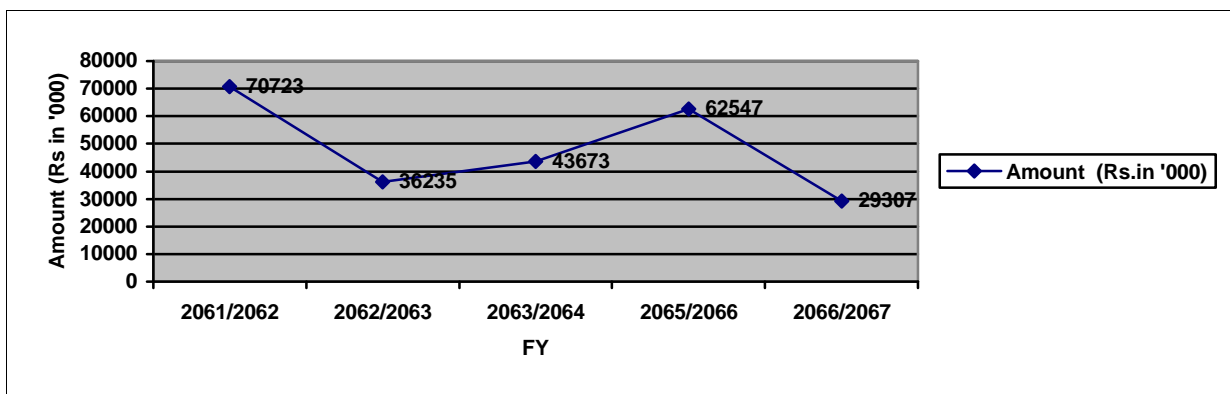
S.N.	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	70723	29.17
2	2062/2063	36235	14.94
3	2063/2064	43673	18.01
4	2064/2065	62547	25.79
5	2065/2066	29307	12.09
Total		242485	

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.9 In terms of percentage it's 29.17%, 14.94%, 18.01%, 25.79% & 12.09% from FY in 2061/2062 to FY 2065/2066 respectively .

From the study it was revealed that disbursement on agriculture sector was not increasing much but on the other hand after the changed policy of the government there was an increase in the demand of loan in non- agricultural sector. The trend has been further presented in Figure 4.9

Figure 4.9
Disbursement in Non-agriculture Business Loan .



4.1.10 Analysis Disbursement in Agriculture.

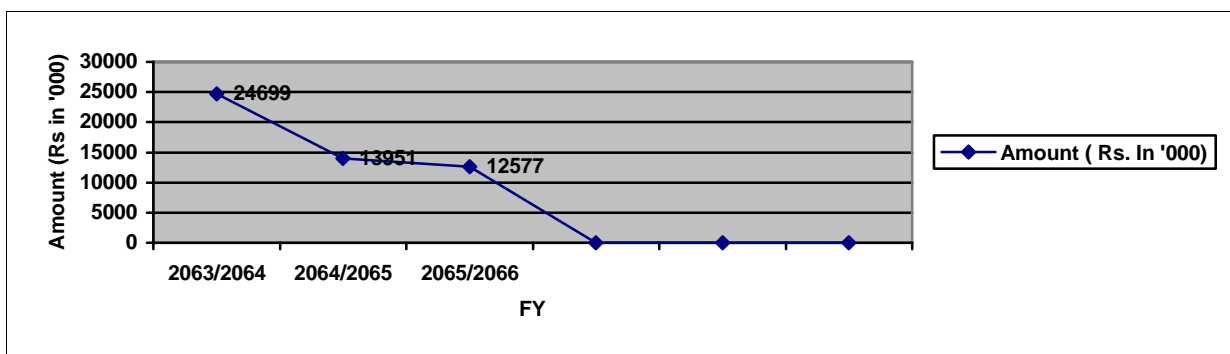
In this topic there lies all agricultural activities. The performed agricultural activities of ADBL, Kanchapur are on cereal crops, cash crops, special crops, irrigation, agricultural business and fruit farming (Horticultural crops). These above activities had been also changed and kept into one activity (topic) after the change of company act 2063 to limited. So the details of data of agricultural activities have been kept in table below according to rule of Agriculture Development Bank Limited. Situation of agriculture activities & loan provided by ADBL during the study period has been presented in Table 4.10

Table 4.10
Disbursement in Agriculture.

S.N.	Fiscal year	Amount (Rs in '000)	Percentage
1	2063/2064	24699	48.21
2	2064/2065	13951	27.23
3	2065/2066	12577	24.55
Total		51227	100

Source:-ADBL Branch office of Kanchapur District, FY 2061/2062 to 2065/2066
Table 4.10 in terms of percentage, it's 48.21%, 27.23%, & 24.55% from FY in 2063/2064 to FY 2065/2066 respectively .The amount of disbursement in agriculture activities was decreasing in other fiscal years. The trend has been further presented in Figure 4.10

Figure4.10
Disbursement in Agriculture



4.1.10 Analysis Disbursement in Production.

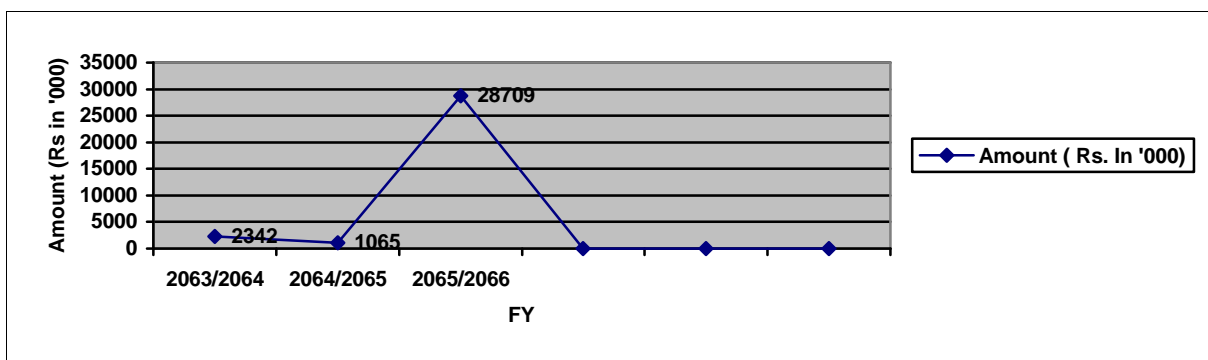
In this topic there lied, bio gas plant, small industry and agriculture production. These above two activities had changed and kept into one activity (topic) after the change of company act 2063 to limited. So the details of data of production is kept in table below according to rule of Agriculture Bank Limited. Disbursement in production loan has been giving as show table the table 4.11.

Table 4.11
Disbursement in Production.

S.N.	Fiscal year	Amount (Rs in '000)	Percentage
1	2063/2064	2342	7.26
2	2064/2065	1065	3.31
3	2065/2066	28709	89.39
Total		32116	100

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066
Table 4.11 in terms of percentage, it's 7.26%, 3.31%, & 89.39% from FY in 2063/2064 to FY 2065/2066 respectively .The amount of disbursement in production was decreasing in fiscal years 2064/2065 and FY 2065/2066, there it was too much increased. The trend has been further presented in Figure 4.11

Figure4.11
Disbursement in Production



4.1.12 Disbursement in Agriculture Tools.

Agriculture tools comprise of tractor, thresher machines etc, which are quite helpful in agriculture production and mainly, used buy big farmers or zamindars. But these are very expensive items so every one cannot afford it. To boost the agriculture sector this bank is also doing its disbursement on these items as shown in table 4.6

Table 4.12
Disbursement in Agriculture Tools

S.N.	Fiscal year	Amount (Rs in '000)	
1	2061/2062	2481	55.38
2	2062/2063	1633	36.45
3	2063/2064	255	5.69
4	2064/2065	85	1.89
5	2065/2066	26	0.58
Total		4480	100

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.12 revealed that except FY 2061/2062, disbursement was decreasing continuously. The disbursement was highest in FY 2061/2062 which was Rs. 2481(in,000) followed by Rs1633(in,000) in FY 2062/2063 , Rs255(in,000) in FY 2063/2064 , Rs.85(in,000) in FY2064/2065 & Rs.26(in,000) in FY 2065/2066

Figure 4.12
Disbursement in Agriculture Tools

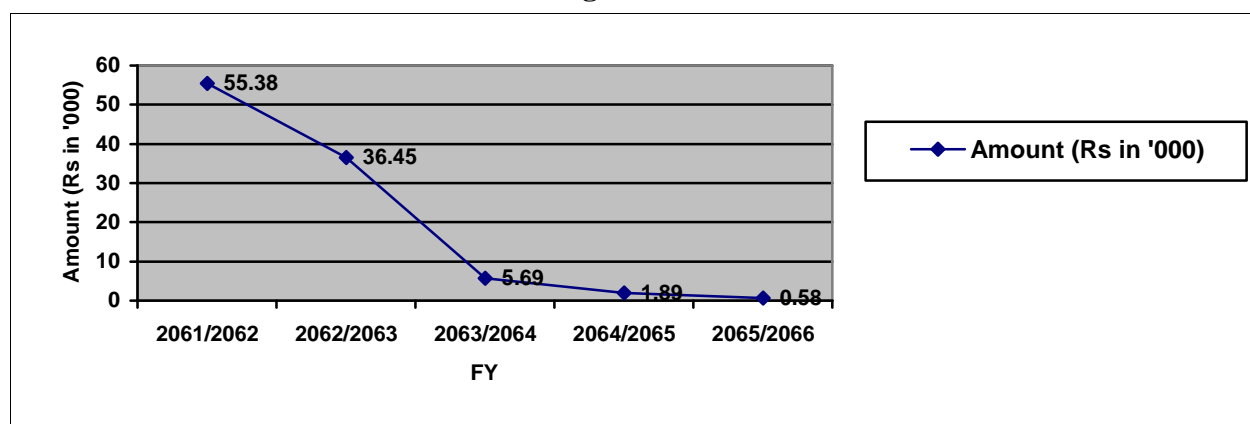


Table 4.1 indicated that overall disbursement was highest in FY 2061/2062 and lowest in FY 2064/2065. In terms of percentage, it was 21.15426% and 19.35% respectively.

The Table further revealed that there was highest percentage of disbursement on cereal crops in the FY 2061/2062 and lowest in FY 2062/2063 and in terms of percentage it was 68.83% & 31.17%.

The disbursement of cash crops was decreasing. The Bank disbursed the highest 71.43% & lowest 28.57%.

The disbursement on biogas was highest 74.17% in FY 2061/2062 & lowest was 25.94% in FY 2062/2063.

The disbursement in agriculture and domestic industry was increasing every year. In term of highest disbursement loan Rs. 5723(in,000) in FY 2061/2062 and lowest in Rs. 39235(in,000) FY 2062/2063.

The highest disbursement amount of agriculture business was Rs.20286 (in,000) & lowest amount was Rs.13946 (in,000).

The highest percentage disbursement amount of horticulture loan was 85.02% & lowest disbursement percentage was 14.98%.

In Non-agriculture Credit the highest percentage of disbursement was in FY 2061/2062 (29.17%) and the lowest was in FY 2065/2066 (12.09%). But before FY 2058/2059 there was not any policy of the government for disbursement on non-agriculture sector.

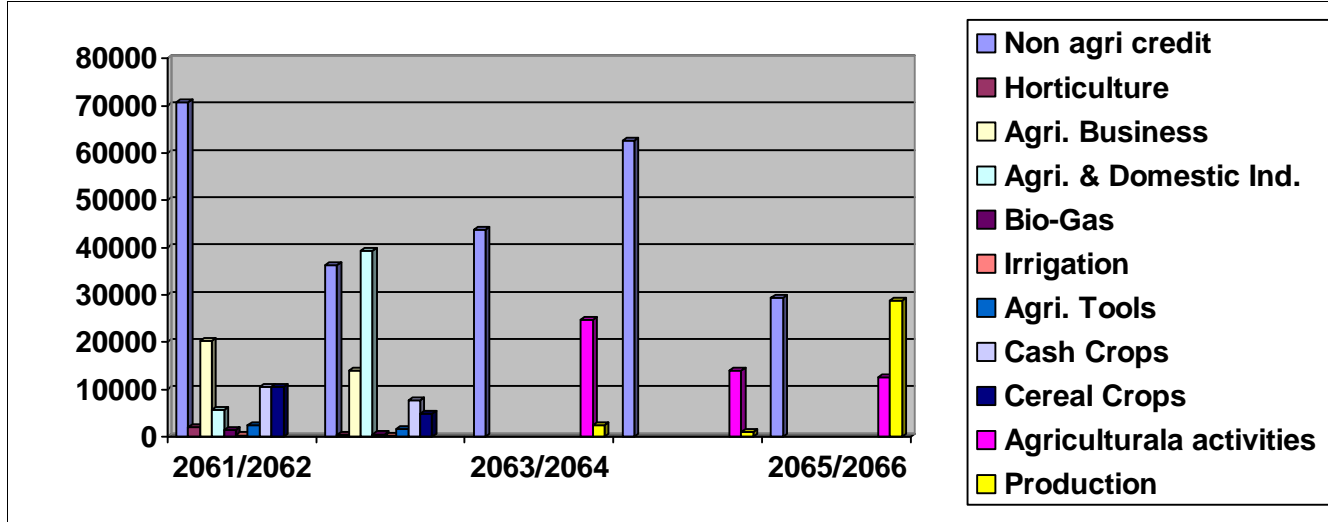
In Agriculture activities the highest percentage of disbursement was in FY 2063/2064(48.21%) and the lowest was in FY 2065/2066 (24.55%).

In production loan the highest percentage of disbursement was in FY 2065/2066(89.39%) and the lowest was in FY 2064/2065 (3.31%).

The highest disbursement percentage of Agri. Tools was 55.38% in FY 2061/2062 & lowest was 0.58% in FY 2065/2066.

The above information has been presented in figure 4.13

Figure 4.13
Overall Disbursement of ADBL in Kanchanpur



4.2 Analysis of Collection

Collection is essential for the efficient financial performance of the bank because bank provides loan to the customers charging interest. So, later on, it collection will be in the form of principal and interest. Principal and interest. Principal is the disbursement amount where as interest is the income of the bank.

4.2.1 Analysis of Loan Collection

For the efficient financial performance of the bank, timely collection of principal is essential . Regarding this the situation of this bank has been shown in table.

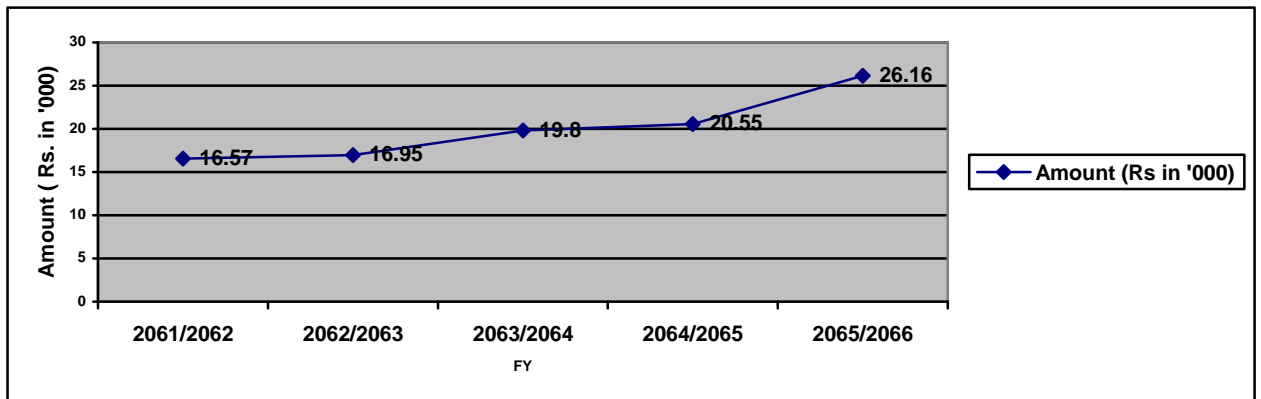
Table 4.14
Total Loan Collection of the Bank

S.N.	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	113563	16.53796
2	2062/2063	116364	16.94586
3	2063/2064	135977	19.80206
4	2064/2065	141136	20.55336
5	2065/2066	179641	26.16076
6	Total	686681	100

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.14 showed that the percentage of loan collection was increasing every year but in slower rate. In terms of percentage, it was 16.57%, 16.95%, 19.80%, 20.55% & 26.16% respectively from FY 2061/2062 to 2065/2066. The trend has been presented in figure 4.14.

Figure 4.14
Total Loan Collection of the Bank



4.2.2 Analysis of Interest of Collection

Interest is the major source of income for this bank. Proper collection of interest is essential for the existence of the bank. In this regard the situation of this district is shown in Table 4.15 of the study period.

Table 4.15
Collection of Interest

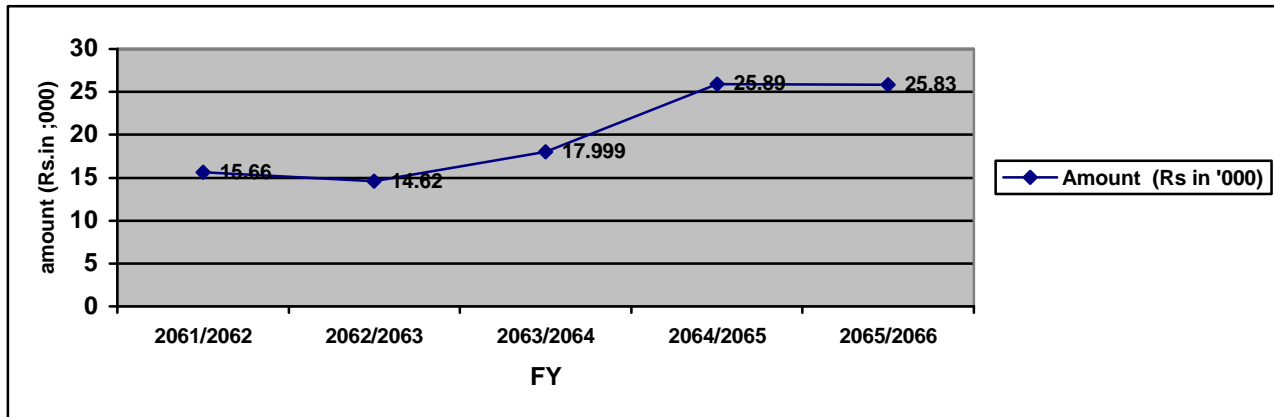
S.N.	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	34138	15.65899
2	2062/2063	31875	14.62096
3	2063/2064	39233	17.99605
4	2064/2065	56454	25.89526
5	2065/2066	56309	25.82875
Total		218009	100

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.15 stated that percentage of interest collection was decreasing in 1st year to 2nd year & in FY 2063/2064 to 2065/2066 it was increasing. In terms of percentage it was 15.66%, 14.62%, 17.99%, 25.89%, & 25.83 % from FY 2061/2062 to 2065/2066 respectively. These increasing trends reflect the positive aspects of the bank because it is one of the main sources of income for this bank. While analyzing, it was found that the

policy of monthly collection of interest played a vital role towards these increasing trends. The trends is presented in Figure 4.15

Figure 4.15
Interest collection Term



4.3 Analysis of Outstanding Loan

Analysis of Outstanding loan is important Which is already invested by the bank. This bank is disbursing loan in different agriculture sectors but since last few years it has entered into non-agriculture sector too. This loan is being given for a certain period of time and in return, bank charges interest on the given amount.

Bank should try to disburse loan after analyzing properly. In other words bank it should be aware of the returning capacity of the borrower. It should be returned with in the predetermined time period. Till that time it remains as an outstanding loan for the bank. These outstanding loan increases with the increasing disbursement. If it is collected timely then bank do not have to suffer any problem. Thus the outstanding loan situation of ADBL in Kanchanpur District has been shown in Table. 4.16

Table. 4.16
Out standing Loan of Bank

S.N.	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	305624	20.23219
2	2062/2063	320931	21.24551
3	2063/2064	318521	21.08596
4	2064/2065	306600	20.2968
5	2065/2066	258907	17.13954
	Total	1510583	100

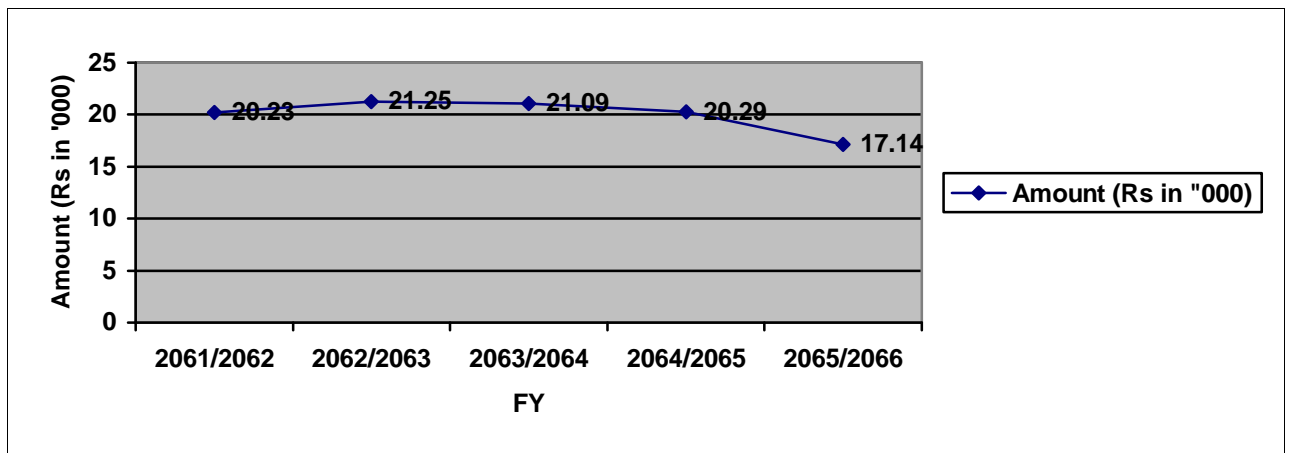
Source -ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.17 highlighted that percentage of outstanding loan was sometime increasing & sometime decreasing in every year of the study period. But the outstanding loan of bank was decreasing in 2063/2064 to FY 2065/2066 .In term of percentage proportion of outstanding loan was 20.23%, 21.25%, 21.09%, 20.29%, & 17.14% from FY 2061/2062 to 2065/2066 respectively.

It has been already mentioned that outstanding loan depend upon disbursement. More disbursement means more outstanding loan. It is really a positive aspect of the bank that disbursement was increased. Due to it outstanding loan was also increasing .But in this regard bank should be conscious before disbursement loan in any sector. Because if the bank is unable to disburse loan in right place or to a right person then later on it becomes very difficult for the bank to collect it's principal as well as interest . The trend of outstanding loan is presented in Figure 4.16.

Figure 4.16.

Out standing Loan of Bank



4.4 Analysis of Interest Receivable

Interest is the main source of income for banks, without interest it is very difficult for the bank to survive because they have to meet their day to day and other expenses.

So, in the context of ADBL also, interest cannot be ignored. It is the main source of income for this whole bank. It includes the total interest receivable by the bank. In this regard the detailed data of last eight years has been shown in Table.

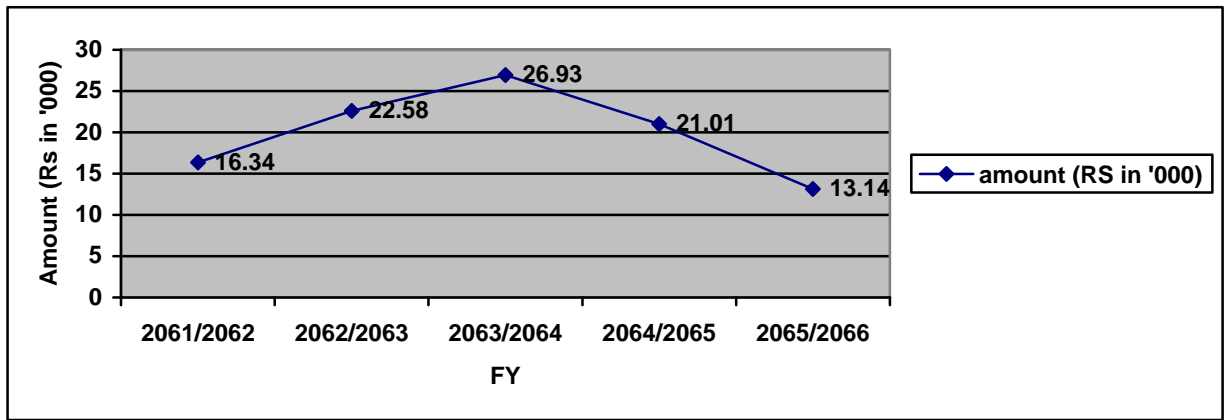
Table 4.17
Interest Receivable of the Bank

S.N.	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	41635	16.33809
2	2062/2063	57537	22.57823
3	2063/2064	68627	26.93008
4	2064/2065	53546	21.01211
5	2065/2066	33489	13.1415
Total		254834	100

Source -ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.18 stated that percentage of interest receivable was increasing every year of the study period. But FY 2064/2065 to 2065/2066 there was decreasing in amount of interest receivable. In terms of percentage the proportion of interest receivable was 16.33%, 22.58%, 26.93%, 21.01% & 13.14% from FY 2061\2062 to 2065/2066 respectively. The trended is presented as shown in Figure 4.18

Figure 4.18
Interest Receivable of the Bank



4.5 Analysis of overdue loan.

Collection is the most important aspect of the bank. But sometimes it is very difficult for the bank to collect accordingly with in its time period due to which overdue problem has arisen as shown in table 4.19.

Table 4.19
Overdue loan of the Bank

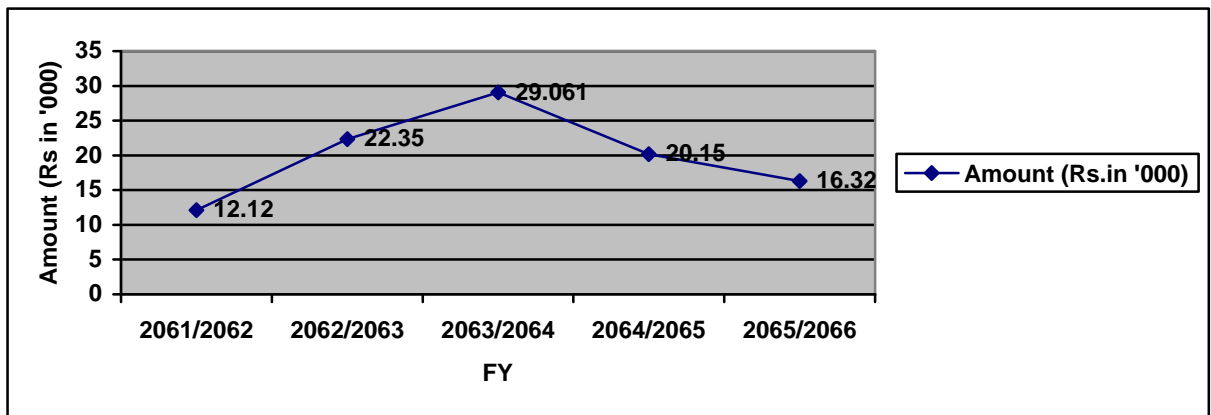
S.N.	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	48780	12.11639
2	2062/2063	89989	22.35224
3	2063/2064	117002	29.06196
4	2064/2065	81121	20.14953
5	2065/2066	65703	16.31987
Total		402595	100

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.19 revealed that percentage of overdue loan was increasing continuously from FY 2061/2062 to FY 206/2066 but FY 2063/2064 to 2065/2066 there was decrease in amount .In terms of Percentage, it's 12.12% , 22.35% , 29.06% , 20.15% & 16.32% ,from FY 2061/2062 to 2065/2066 .

This is really a big problem for the bank because disbursed loan should be collected timely otherwise it will decrease the efficiency of the bank and hamper its overall performance. So, as far as possible ADBL of this district should do its utmost effort to reduce this overdue problem. The trend of overdue has been further presented in Figure 4.19

Figure 4.19
Overdue of the Bank



4.6 Analysis of Income and Expenditure.

Revenue is an essence to run every organization smoothly. Income and expenditure are two aspects of the same coin. Without good income, expenditure is not possible. Without expenditure any organization cannot meet its results. likely, a bank also has to bear different expenses while achieving its objectives. ADBL also cannot be separated from it.

It has also its different sources of income. In past it was used to get support from donor agencies through govt. But now situation is changed, it has to survive itself for its existence.

Here under this topic the Researcher has tried her best to analyze the total revenue and expenditure situation as shown in Table 4.20

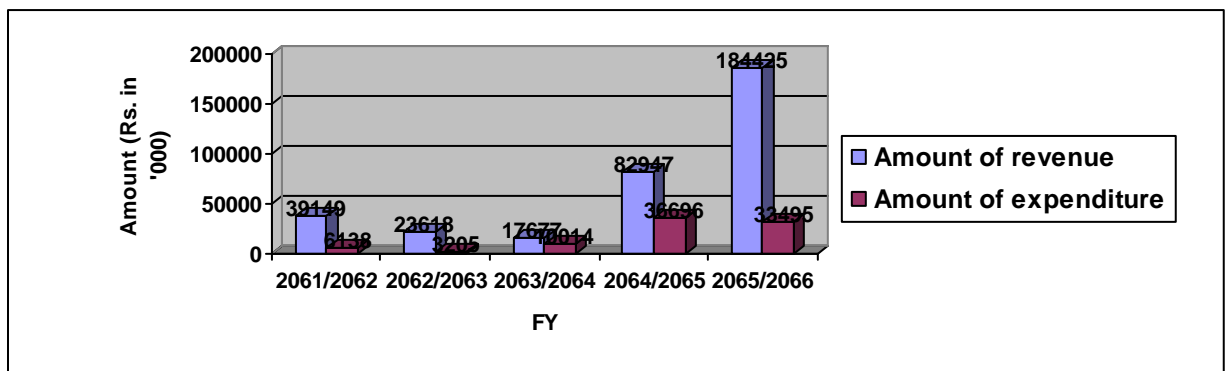
Table 20
Total Revenue and Total Expenditure

S.N.	Fiscal year	Amount of revenue (Rs in '000)	Percentage of revenue	Amount of expenditure	Percentage of expenditure
1	2061/2062	39149	11.25566	6138	6.854424
2	2062/2063	23618	6.790372	3205	3.579086
3	2063/2064	17677	5.082285	10014	11.18283
4	2064/2065	82947	23.84795	36696	40.97914
5	2065/2066	184425	53.02373	33495	37.40452
					100

Source:-ADBL Branch office of Kanchanpur District , FY 2061/2062 to 2065/2066

Table 4.20 revealed that percentage of revenue was decreasing in 2063/2064 but from 2063/2064 to 2064/2065 was increasing. In terms of percentage it's 11.26%, 7%, 5.08%, 23.85% & 53.02 % from FY 2061/2062 to 2065/2066, respectively & it further showed that percentage of expenditure was increasing every year except FY 2064/2065 i.e. 6.85%, 3.579 %, 11.18%, 40.979% & 37.40 % from FY 2061/2062 to 2065/2066, respectively. It further reflected that in comparison to revenue, expenditure was less. It was a good aspect of the bank. The above tabulated data is further presented in Figure 4.20

Figure 4.20
Revenue and Expenditure



4.7 Analysis of Revenue /Income

Revenue is an essence for every organization. This bank is also an organization which don't produce any tangible goods but it provides services by providing loan, technical advice, keeping deposits and involvement in poverty alleviation program through different ways.

4.7.1 Analysis of Income from Interest on Loan

It is the main source of income for the bank. In nine districts, the generation of more income from interests is as shown in Table 4.21

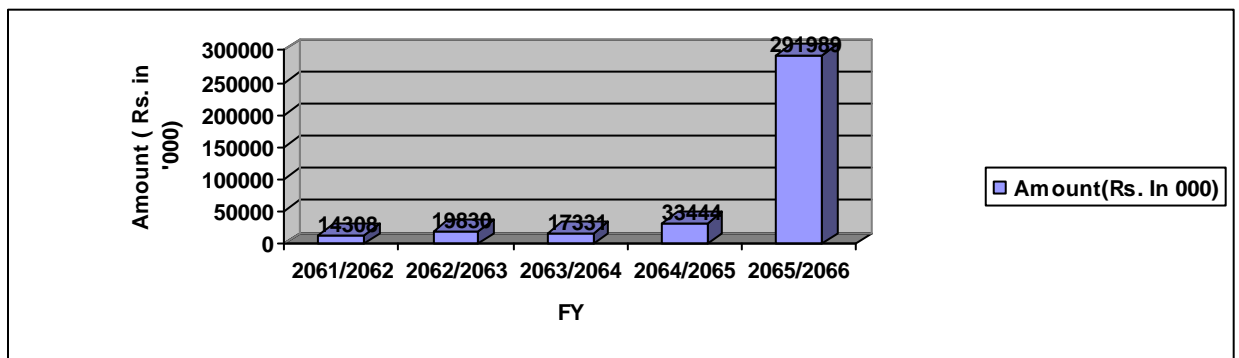
Table 4.21
Income from Interest on Loan

S.N.	Fiscal year	Amount (Rs in '000)
1	2061/2062	14308
2	2062/2063	19830
3	2063/2064	17331
4	2064/2065	33444
5	2065/2066	291989
	Total	

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.21 states that percentage of income from interest on loan was increasing up to the study period. In terms of amount in thousand, it's Rs.14308, Rs.19830, Rs.17331, Rs.33444, & Rs.291989 from FY 2061/2062 to 2065/2066, respectively. It was a positive aspect of the bank. It is further presented in figure 4.21.

Figure 4.21
Interest Income of the Bank



4.7.2 Analysis of Other Income

After the income from interest on loan this is the second source of income for the bank. Although interest is the major source of income for the bank, it is also generating income from other sources which also help in increasing the profit of the bank as shown in Table 4.22

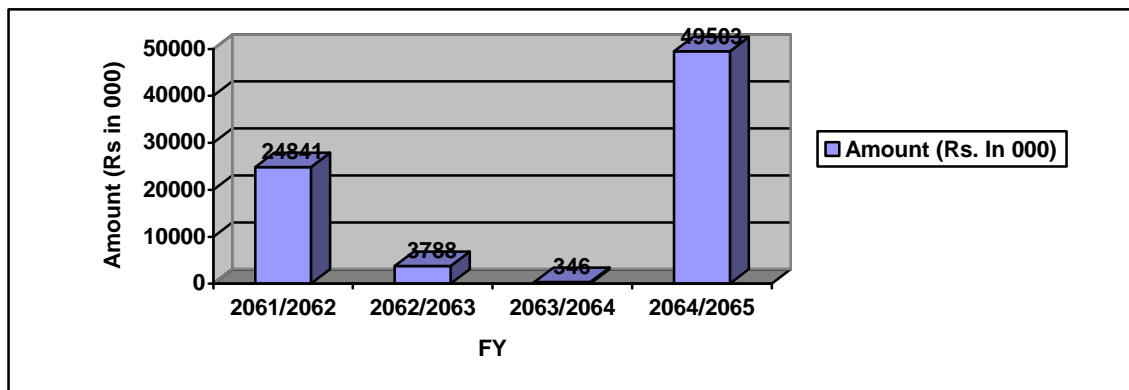
Table 4.22
Other Income of the Bank

S.N.	Fiscal year	Amount(Rs in '000)
1	2061/2062	24841
2	2062/2063	3788
3	2063/2064	346
4	2064/2065	49503

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.22 revealed that, other income was highest in FY 2064/2065 and lowest in the FY 2062/2063. In terms of amount (in '000) it's Rs.24841, Rs.3788, Rs.346 & Rs. 49503 in FY 2061/2062 to FY 2064/2065 .Till FY 2062/2063 there was a decreasing trend but in FY 2064/2065 it was increasing drastically because of earnings from non banking assets . It is further presented in Figure 4.22

Figure 4.22
Other Income of the Bank



4.8 Expenditure Analysis

Like other organizations, bank also has to expend money in different topics to perform its function effectively. Without analyzing, them it becomes very difficult for the stakeholder to know, where and how much the bank is doing expenditure and about their increasing and decreasing trends.

4.8.1. Analysis of Expenditure on employee

Bank needs sufficient personnel to continue office and other operations. There is need to pay salaries and other payments that includes allowances to their staffs in term of services.

Employees are the main source of the bank with the help of whom it can keep close concern with its stakeholders. Without employees bank cannot perform its functions properly. There is huge amount incurred in employees as shown in table 4.23

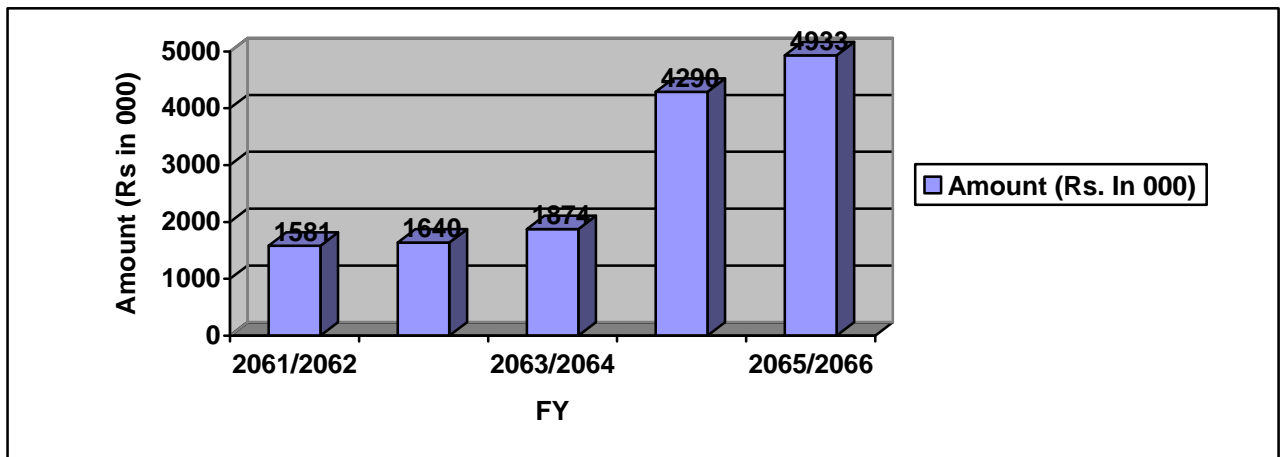
Table 4.24
Expenditure on Employees

S.N.	Fiscal year	Amount(Rs in '000)
1	2061/2062	1581
2	2062/2063	1640
3	2063/2064	1874
4	2064/2065	4290
5	2065/2066	4933

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.23 stated that amount of expenditure on employees was increased from FY 2061/2062 to FY 2065/2066. In terms of amount (in '000s) Rs.1581, Rs. 1640 ,Rs.1874, Rs. 4290 & Rs.4933 from FY 2061/2062 to 22065/2066 .

Figure 4.23
Expenditure on Employee



4.8.2 Analysis of Expenditure on Office Operation

Office is a place from where bank performs its transactions and there is need of different office materials for recording , filing, etc. and it has top pay rents for hired buildings too . It is presented in Table 4.24

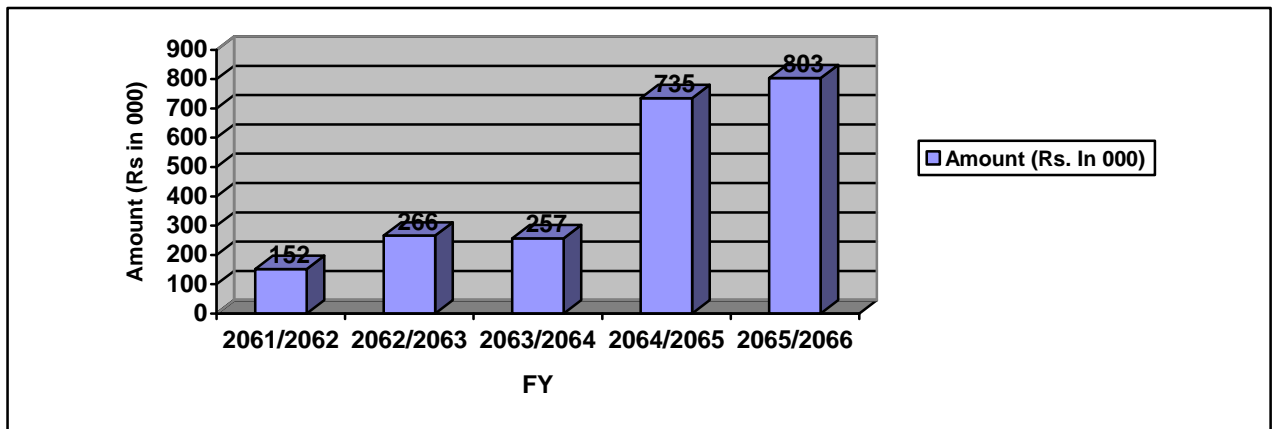
Table 4.24
Expenditure on Office Operation

S.N.	Fiscal year	Amount(Rs in '000)
1	2061/2062	152
2	2062/2063	266
3	2063/2064	257
4	2064/2065	735
5	2065/2066	803

Source:-ADBL Branch office of Kanchanpur District , FY 2061/2062 to 2065/2066

Table 4.24 revealed that amount of office expenditure was increasing every yr. but one yr. it was decreased. In terms of amount (in'000) was Rs. 152, Rs.266, Rs.257, Rs.735 & Rs.803 from 2061/2062 to 2065/2066, respectively .Generally office expenses increased with the increasing transactions. But in the name of transaction expenditure should not be increased because it reduces the income of the bank. The above tabled data further can be presented in figure 4.24

Figure 4.24
Expenditure on Office Operation



4.8.2. Analysis of Expenditure on Discount on Interest

Like other expenses discount on interest is also regarded as expenses. Bank gives discount to encourage the borrowers to pay interest on loan with in the given time period.

Not only that, bank also offers discount on interest to collect overdue loan. Although it is one of the motivational factor but with increasing discount the total expenses of the bank also increases, which reduces the profit of the bank. It has been presented in table 4.24

Table 4.24

Discount on Interest (Rebate)

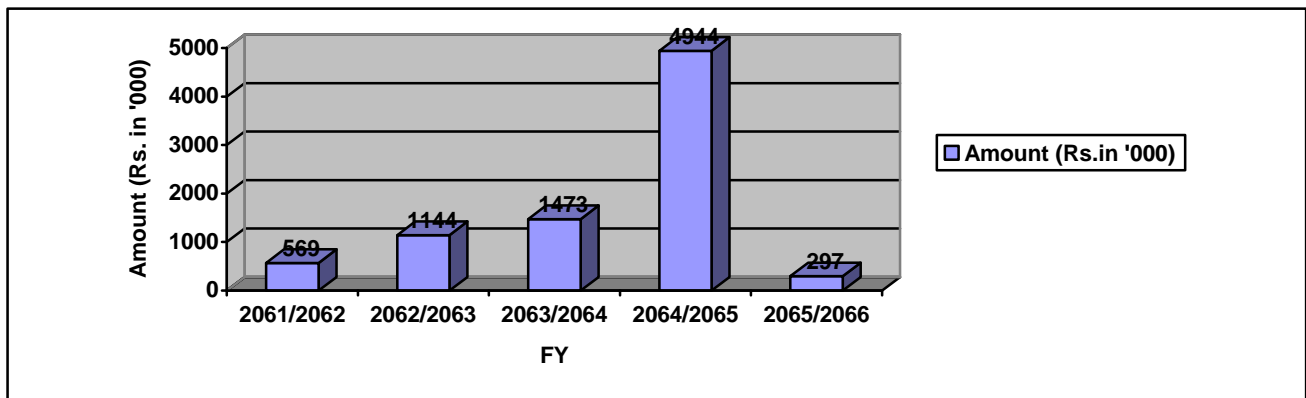
S.N.	Fiscal year	Amount(Rs in '000)
1	2061/2062	569
2	2062/2063	1144
3	2063/2064	1473
4	2064/2065	4944
5	2065/2066	297

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.24 revealed that amount of discount on interest was increased in two years but in FY 2063/2064 it was decreased & in the 4th year it was increased. In terms of amount (in 000) was Rs569, Rs1144, Rs1473, Rs 4944 & Rs.297 from 2061/2062 to 2064/2065, respectively. It is further presented in figure 4.24

Figure 4.24

Discount on Interest (Rebate)



4.8.3 Analysis of Expense on Doubtful Debts

ADBL provides loans to its customers. This loan is provided for certain time period, i.e. 0for short term , medium term and for long term . Generally more loan disbursed means more chances of doubtful debts but always it's not true because this problem arises when loan is not disbursed accordingly (after proper analysis) .

If the borrower do not return timely then this problem arises and the bank send this to the P\L A\C, which increases the expenses. Hence it reduce profit of the bank. It is the amount, which is less possible to return as shown in table 4.25

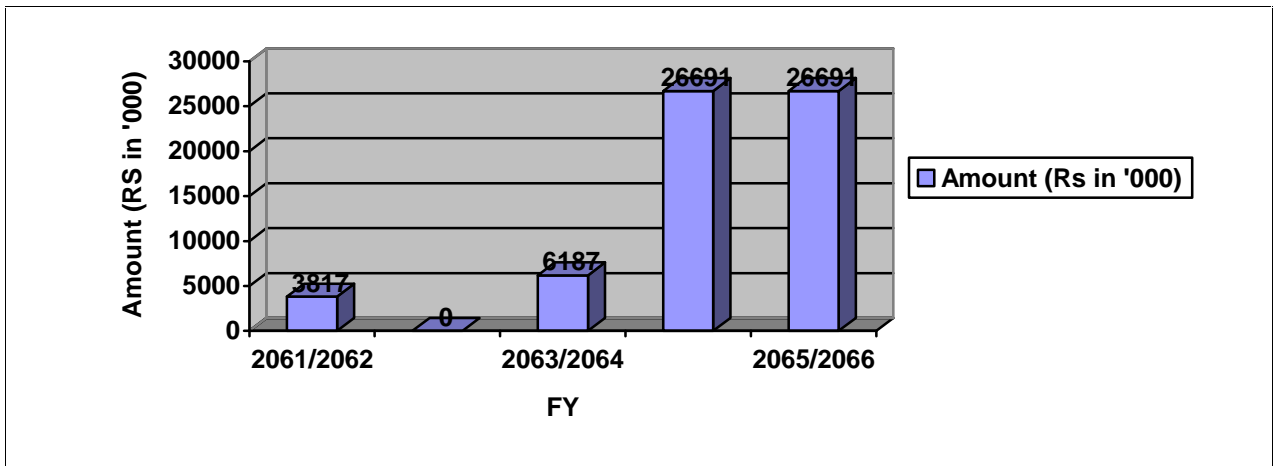
Table 4.25
Expenditure on Doubtful Debts

S.N.	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	3817	6.022
2	2062/2063	-	-
3	2063/2064	6187	9.76
4	2064/2065	26691	42.109
5	2065/2066	26691	42.109
	Total	63386	100

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.25 highlighted that percentage of doubtful debts was increasing very rapidly from FY 2061/2062 to FY 2064/2065. In terms of percentage it's 6.022%, 0 %, 9.76%, 42.109% & 42.109 % from FY 2061/2062 to 2064/2065 . But in the FY 2062/2063 there was no doubtful debts. In this year there was revenue. For the betterment of the bank it should be decreased continuously .In FY 2064/2065 & FY 2065/2066 the amount of doubtful debts was same .It is further presented in figure 4.25.

Figure 4.25
Expenditure on Doubtful Debts



4.8.4. Analysis of Expenditure on other Expense

The expenditure that are not classified are kept under the category of other expenses as shown in table 4.26.

Table 4.26
Expenditure on other Expense of the Bank

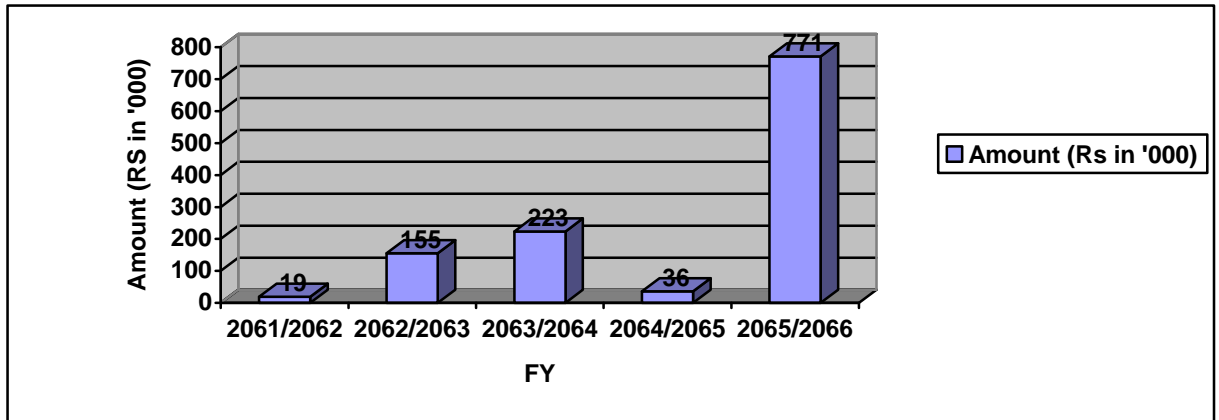
S.N.	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	19	1.578073
2	2062/2063	155	12.87375
3	2063/2064	223	18.52159
4	2064/2065	36	2.990033
5	2065/2066	771	64.03654
	Total	1204	100

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.26 states that amount of other expenses was increasing rapidly except FY2061/2062. In terms of amount in rupees (in 000s) Rs 19, Rs 155, Rs.223, Rs.36, & Rs.771 from FY 2061/2062 to 2064/2065 respectively. It is further revealed that these expenses increased highly in FY 2061/2062 and 2064/2065.

In this regard while analyzing the fact it was found that interest on overdrafts and written off loans were the main responsible factor behind this increasing trend of expenses. The above tabulated figure further can be presented in figure 4.26

Figure 4.26
Other Expense of the Bank



4.9 Analysis of profit and loss

Bank is an institution that deals with finance. P\L analysis is also an essence in which Profit is obtained when the revenue is more than the expenditure.

Under this topic it has tried to analyses the P\L situation of the ADBL of nine districts. P\L A\C acts as an indicator which shows whether a particular organization is able to perform well or not , whether it is meeting its expenditure or not, whether a particular organization is viable or not, etc. All these things is shown with the help of table 4.27

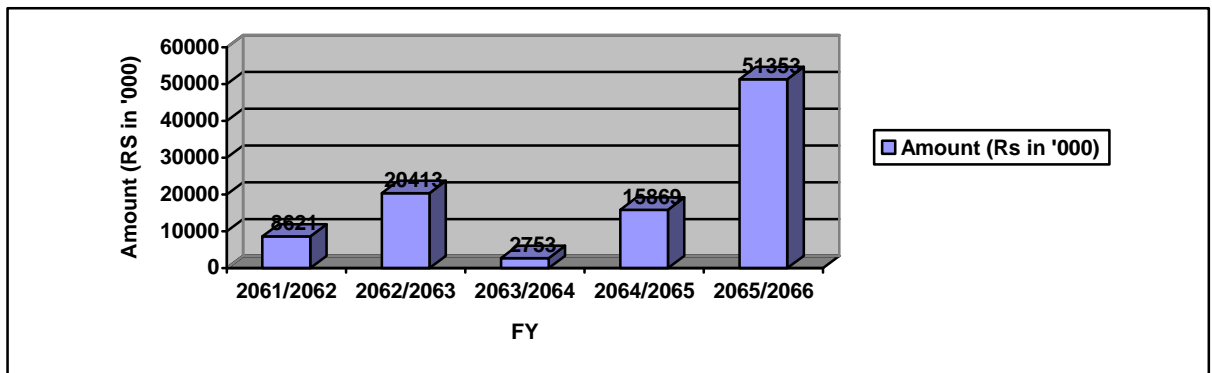
Table 4.27
Profit and loss of the Bank

S.N.	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	8621	8.707289
2	2062/2063	20413	20.61732
3	2063/2064	2753	2.780555
4	2064/2065	15869	16.02784
5	2065/2066	51353	51.867
	Total	99009	100

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.27 revealed that percentage of profit was 8.71% in FY 2061/2062, 20.62% in FY 2062/2063 , 2.78% in FY 2063/2064 , 16.02% in FY 2064/2065 & 51.875 in FY 2065/2066. It has been further stated that the highest profit was in FY 2065/2066 and lowest profit was in FY 2063/2064. It is further presented in figure 4.27

Figure 4.27
Profit and loss of the Bank



4.10. Analysis of Revenue, Cost and Net profit & loss

Revenue, Cost and P\L are correlated with each other. Profit can only be obtained if the revenue exceeds cost. In this regard situation of regional office of ADBL Kanchanpur district is shown in table 4.28

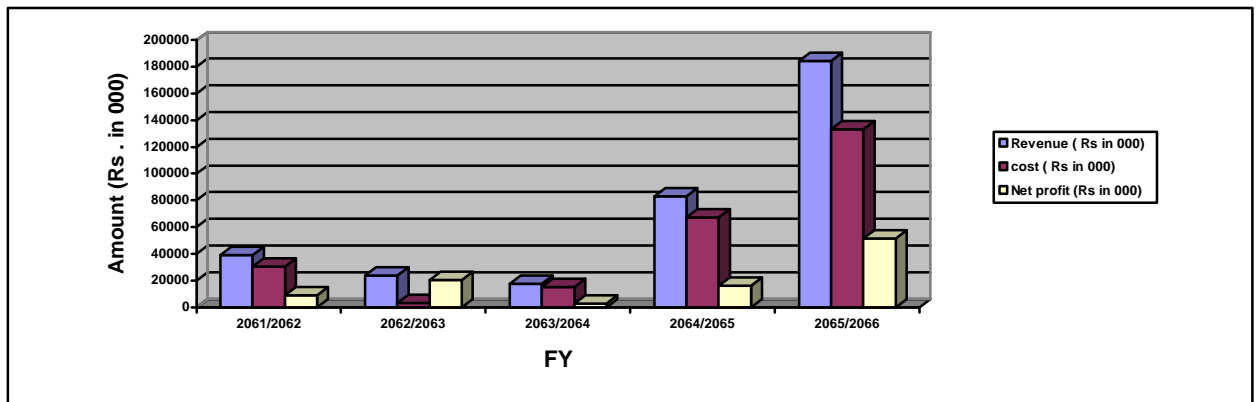
Table 4.28
Revenue, Cost and P /L of the Bank

S.N.	FY	Revenue	Cost	Net P\L
1	2061/2062	39149	30528	8621
2	2062/2063	23618	3205	20413
3	2063/2064	17677	14924	2753
4	2064/2065	82947	67078	15869
5	2065/2066	184425	133072	51353

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.28 showed that amount of the revenue was sometime increasing & sometime decreasing in the study period. In terms of amount in rupees (in '000) 39149, 23618, 17677, 82947 & 184425, respectively from FY 2061/2062 to FY 2065/2066. But regarding expenditure there was a little bit variation in 2065/2066. It is further revealed that the highest expenditure was in FY 2065/2066 (Rs.133072) and the lowest expenditure was in FY 2062/2063(Rs.3205). But regarding P\L except in 2063/2064 the amount of profit was increased. In terms of amount in rupees (in 000s) the P\L was Rs. 8621, 20413, 2753, 15869 & 51353 respectively from FY 2061/0262 to FY 2065/2066 . In the context of revenue and profit ADBL's situation was very appreciating in this district. This bank was able to generate profit, earn in such a critical situation in the country. It was positive aspect of this bank too. It is further presented in figure 4.28

Figure 4.28
Revenue, Cost and P /L of the Bank



4.11. Financial Analysis

Under this chapter the Researcher has tried to analyses financial position and activities of this regional office of ADBL Dhangadhi with the help of ratio analysis.

An arithmetical relationship between two figures is known as ratio. Ratio analysis is a technique of analysis and interpretation of financial statements. To evaluate the performance of an organization by the creation of ratios from the figures of different accounts contained in the balance Sheet an income statement is known as ratio analysis.

Ratio analysis is one of the financial tools, which help to evaluate the strengths and weaknesses of an organization. In the chapter researcher has tried to analyze different ratios with the help of the income statement and balance sheet.

4.11.1 Analysis of Interest Income to Total Income Ratio

Interest income is the major source of earning for the bank. So this ratio will help to identify the contribution of interest income to total income during the study period as shown in table 4.29

Table 4.29

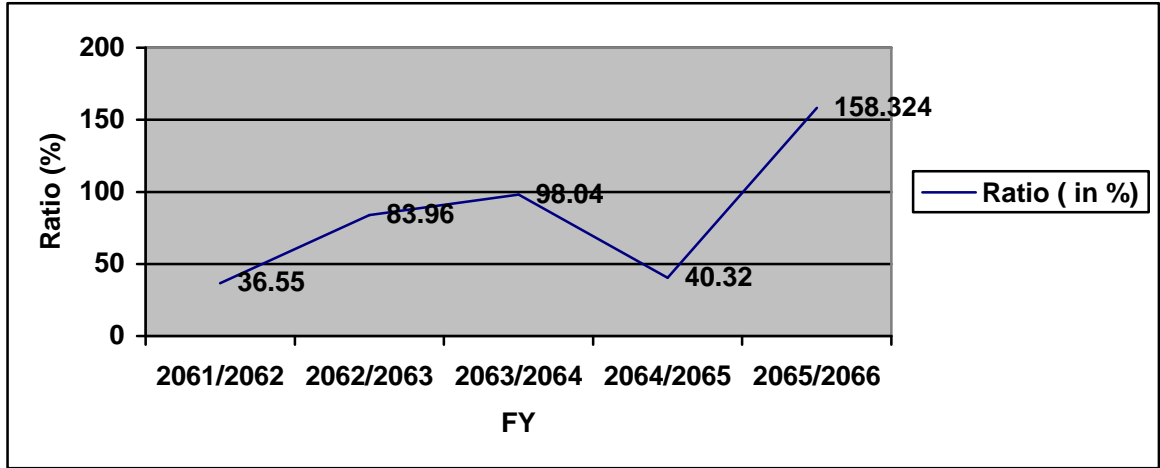
Relationship between Interest Incomes to Total Income Ratio

S.N.	Fiscal year	Interest Income (Rs in '000)	Total Income (Rs in '000)	Ratio=Int. Income /Total Income (in%)
1	2061/2062	14308	39149	36.54755
2	2062/2063	19830	23618	83.96139
3	2063/2064	17331	17677	98.04265
4	2064/2065	33444	82947	40.31972
5	2065/2066	291989	184425	158.324
	Total			

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.28 revealed that the major source of revenue of the bank is interest income. The bank was able to earn interest about 158% of its total income in the FY of 2065/2066 followed by 98.04% in FY 2063/2064 & 83.96% in FY 2062/2063. Interest income to total income ratio is lowest in the FY of 2061/2062. The relationship between interest and total income been presented in figure 4.29.

Figure 4.29
Interest Income to Total Income Ratio



4.11.2 Analysis of Other Income to Total Income Ratio.

Interest income is the main source of earning for this bank. Except other kinds of income is included in other income as shown in Table 4.30

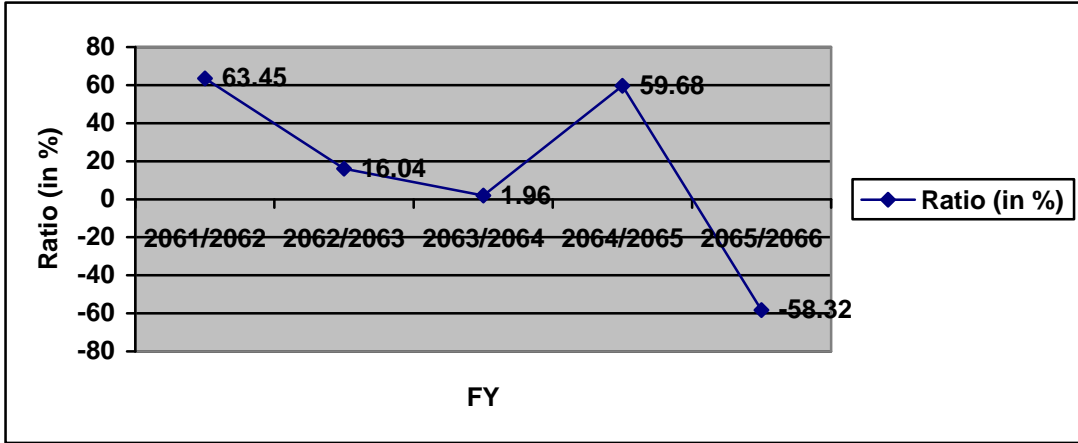
Table 4.30
Relationship between Other Incomes to Total Income Ratio

S.N.	Fiscal year	Other Income (Rs in '000)	Total Income (Rs in '000)	Ratio=Other Income /Total Income (in%)
1	2061/2062	24841	39149	63.45245
2	2062/2063	3788	23618	16.03861
3	2063/2064	346	17677	1.957346
4	2064/2065	49503	82947	59.68028
5	2065/2066	-107564	184425	-58.324
	Total			

Source:-ADBL Branch office of Kanchanpur District , FY 2061/2062 to 2065/2066

The major portion of the bank's income is interest. However, the bank earned income from other sources too. The bank earned highest income from other sources in FY 2061/2062 & lowest income in FY2065/2066. In terms of percentage the proportion of other income to total income is 63.45 %, 16.04 %, 1.96 %, 59.68% & -58.32% from FY 2061/2062 to 2064/2065. The trend has been presented in figure 4.30.

Figure 4.30.
Other Income to Total Income Ratio



4.11.3 Analysis of Employee Expenses

Among many other expenses bank has to bear staff expenses to run the bank smoothly as shown in the Table 4.32

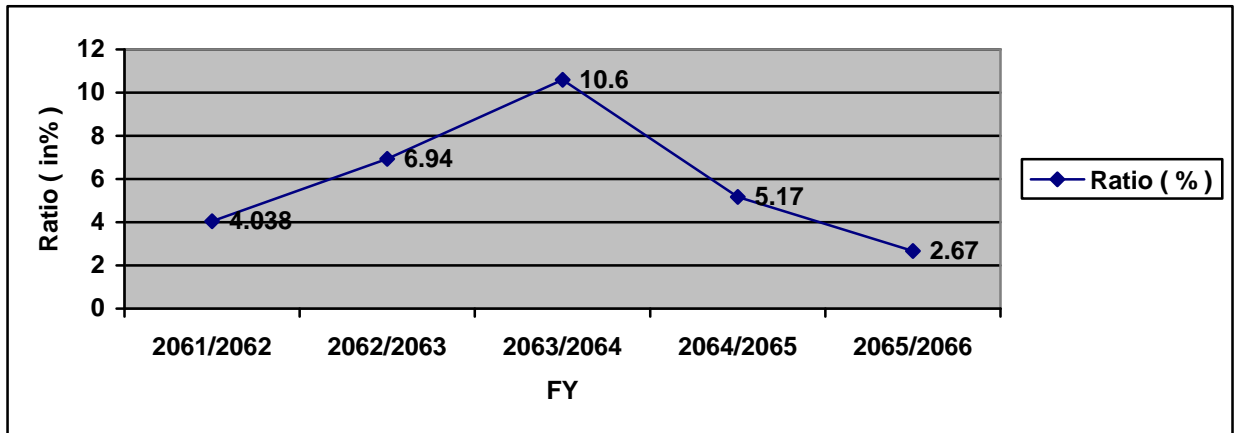
Table 4.31
Employee expenses to Total Income Ratio

S.N.	Fiscal year	Employee expenses (Rs in '000)	Total Income (Rs in '000)	Ratio= Employee expenses /Total Income (in%)
1	2061/2062	1581	39149	4.038417
2	2062/2063	1640	23618	6.943856
3	2063/2064	1874	17677	10.60135
4	2064/2065	4290	82947	5.171977
5	2065/2066	4933	184425	2.6748
	Total			

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.31 stated that percentage of staff expenses were 4.04%, 6.94%, 10.60%, 5.17%, & 2.67 %, respectively from FY 2061/2062 to FY 2061/2062 .It is further revealed that among five FY, in the first three FY staff expenses to total income ratio was increased but in the 4th & 5th year it was decreased .The trend is further presented in figure 4.31

Figure 4.31
Employee expenses to Total Income Ratio



4.11.4 Analysis of Office Exp. to Total Income Ratio

This bank also has to bear expenses, known as office expenses, for running the office efficiently. In this regard office expenses to total income ratio of district was shown in table 4.32

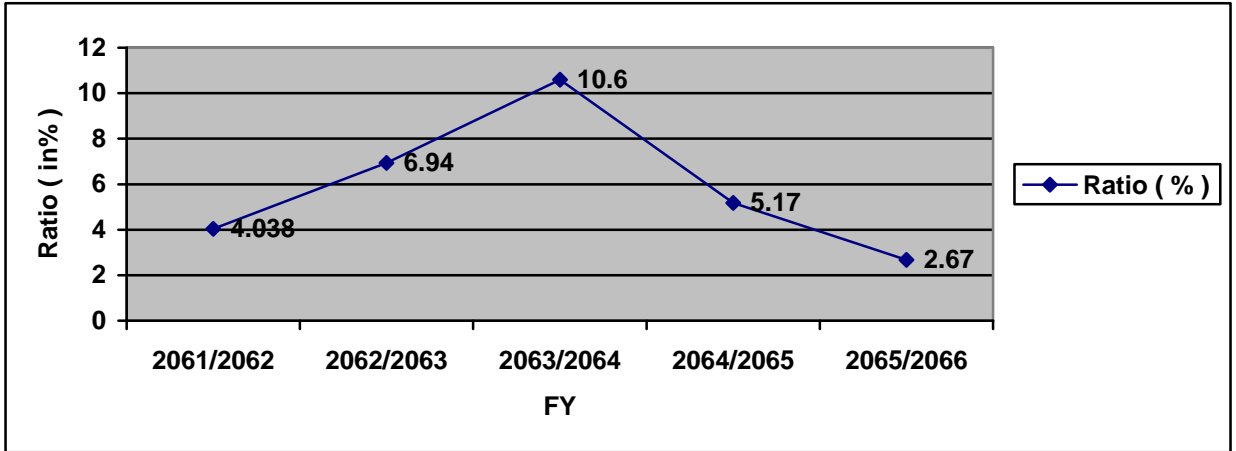
Table 4.32
Office expenses to Total Income Ratio

S.N.	Fiscal year	Office expenses (Rs in '000)	Total Income (Rs in '000)	Ratio= Office expenses /Total Income (in%)
1	2061/2062	152	39149	0.38826
2	2062/2063	266	23618	1.12626
3	2063/2064	257	17677	1.453867
4	2064/2065	735	82947	0.886108
5	2065/2066	803	184425	0.435407
	Total			

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Analysis of office expenses percentage was 0.39%, 1.126%, 1.45%, 0.886% & 0.435%, respectively from FY 2061/2062 to FY 2061/2062. It is further revealed that among five FY, in the first three FY, office expenses to total income ratio was increasing. The trend is further presented in figure 4.32

Figure 4.32
Office expenses to Total Income Ratio



4.11.5 Analysis of Discount of Interest to Total Income Ratio

Discount has become an inseparable part of the bank because study shows that with the increasing disbursement interest receivable was also increasing as shown in Table 4.33. It is calculated by ,

$$\text{DITIR} = \frac{\text{Discount on Interest}}{\text{Total income}}$$

Where, DITIR = Discount on Interest to total income ratio

Table 4.33

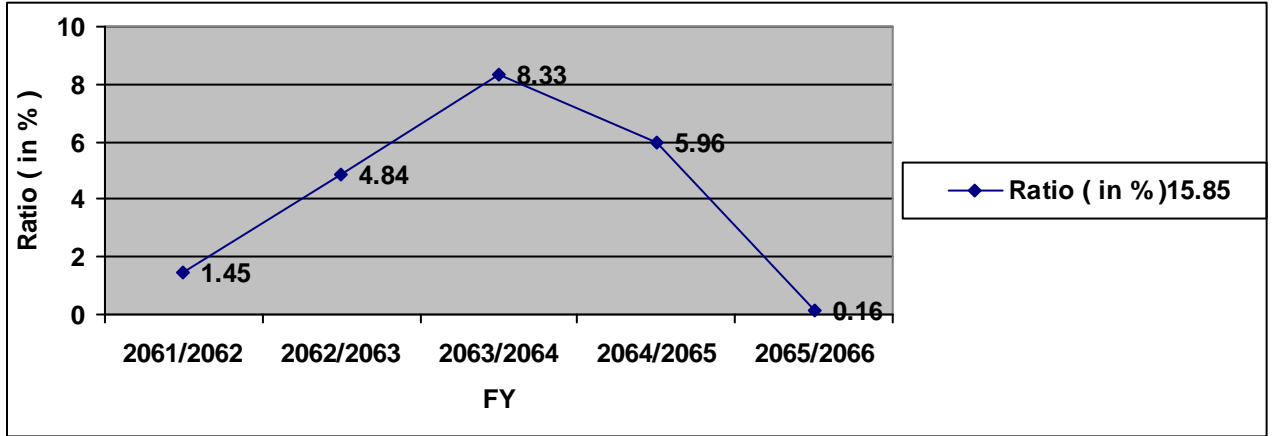
Discount on Interest to Total Income Ratio

S.N.	Fiscal year	Discount on Interest (Rs in '000)	Total Income (Rs in '000)	Ratio= Discount on Interest /Total Income (in%)
1	2061/2062	569	39149	1.453422
2	2062/2063	1144	23618	4.843763
3	2063/2064	1473	17677	8.332862
4	2064/2065	4944	82947	5.960433
5	2065/2066	297	184425	0.161041
	Total			100

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.33 stated that percentage of discount on interest to total income ratio is varying over the years of the study. In terms of percentage it's 1.45% , 4.84%, 8.33 %,5.96% & 0.16 % during FY 2061/2062 to FY 2064/2065, respectively . It is further revealed that there was the highest percentage of this ratio in FY 2063/2064 and the lowest percentage was in the FY 2065/2066.This trend is further presented in figure 4.33

Figure 4.33
Discount on Interest to Total Income Ratio



4.11.6 Analysis of Doubtful debt to Total Income Ratio

Doubtful debts increase with the increase in disbursement if there is improper disbursement of loan. Generally these expenses increase with the increasing overdue of the bank.

Here doubtful debts to total income ratio has been presented in table 4.34 It is calculated by ,

$$\text{DDTIR} = \frac{\text{Doubtful Debt}}{\text{Total Income}}$$

where, DDTIR = Doubtful debts to total income ratio

Table 4.34
Doubtful debt to Total Income Ratio

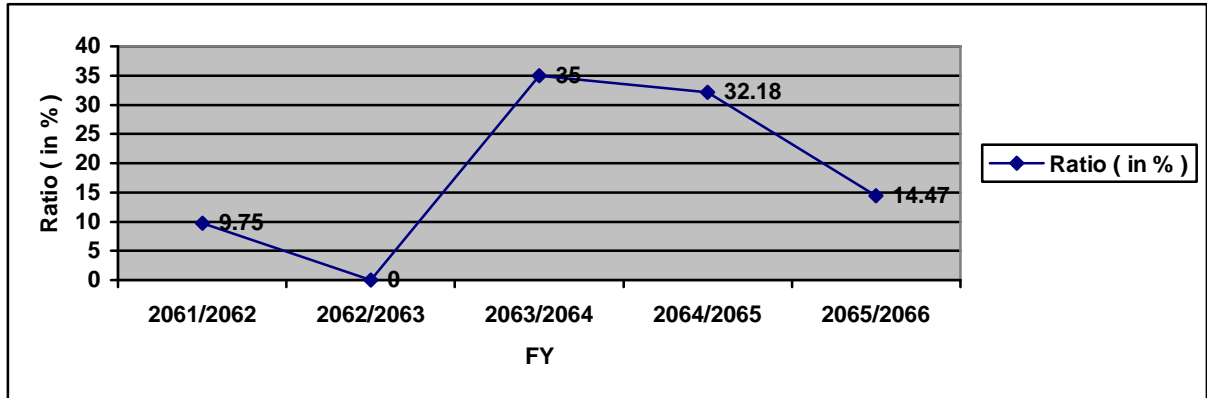
S.N.	Fiscal year	Doubtful debt (Rs in '000)	Total Income (Rs in '000)	Ratio= Doubtful debt /Total Income (in %)
1	2061/2062	3817	39149	9.74993
2	2062/2063	0	23618	0
3	2063/2064	6187	17677	35.00028
4	2064/2065	26691	82947	32.17838
5	2065/2066	26691	184425	14.47255
	Total			

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.34 shown that the percentage of doubtful debts to total income ratio was 9.75% ,0 % ,35 % , 32.18% &15.03% respectively from FY 2061/2062 to FY 2065/2066 . Among the fiscal years the highest percentage of this ratio was in the FY 2063/2064 and the

lowest in the FY 2061/2062 .This fiscal year 2062/2063 there was no doubt debt, in this yr. there was revenue. The trend further has been presented in figure 4.34

Figure 4.34
Doubtful debt to Total Income



4.11.7 Analysis of other expenses to Total Income Ratio

This bank has to bear expenses in different matters too, which are included in the head of other expenses. This ratio highlights the expenditure of bank in other expenses out of the total income as shown in table 4.35

$$\text{OETIR} = \frac{\text{Other Expenses}}{\text{Total Income}}$$

Where , OETIR = Other expenses to total income ratio

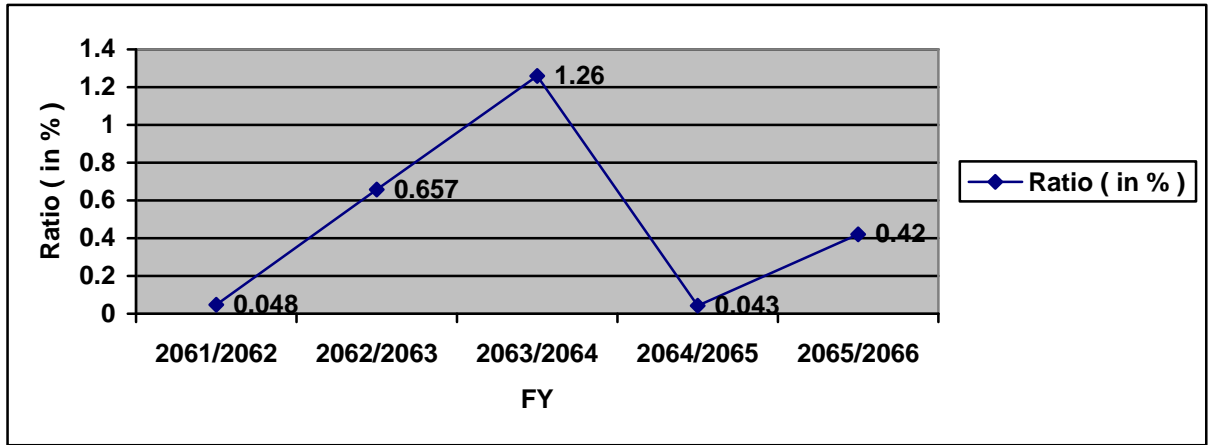
Table 4.35
Other expenses to Total Income Ratio

Fiscal year	Other Exp. (Rs in '000)	Total Income (Rs in '000)	Ratio= Other Exp. /Total Income (in%)
2061/2062	19	39149	0.048533
2062/2063	155	23618	0.656279
2063/2064	223	17677	1.261526
2064/2065	36	82947	0.043401
2065/2066	771	184425	0.418056
Total			

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.34 revealed that the percentage of the other expenses to total income ratio was increasing during the study period except a little bit of variation in FY 2063/2064. In terms of percentage it's 0.048%, 0.66 %, 1.26 %, 0.043 & 0.418 % respectively from FY 2061/2062 to 2065/2066. This increasing ratio is not favorable for the bank. The trend has been shown in figure 4.35

Figure 4.35
Other expenses to Total Income



4.11.7. Combined Analysis of Different Expenses to Total Income Ratio

Under this topic the researcher has analysed the different ratios i.e. employee expenses to total income, office exp. to total income, interest expense to total income, doubtful debts to total income and other expenses to total income ratios are presented in table 4.36

Table 4.36
Different Expenses to Total Income Ratio (in %)

Fiscal year	Employee Exp. to Total Income	Office Exp. To Total Income	Discount on Interest to Total Income	Doubtful Debts to Total Income	Other Expenses to Total Income
2061/2062	4.038417	0.38826	1.453422	9.74993	0.048533
2062/2063	6.943856	1.12626	4.843763	0	0.656279
2063/2064	10.60135	1.453867	8.332862	35.00028	1.261526
2064/2065	5.171977	0.886108	5.960433	32.17838	0.043401
2065/2066	2.6748	0.435407	0.161041	14.47255	0.418056

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.35 revealed that percentage of other expenses to total income ratio was increasing during FY 2061/2062 to 2064/2065. In terms of percentage it's 0.048%, 0.66%, 1.26%, 0.043 & 0.418% respectively. This increasing ratio is not favorable for the bank.

It is observed from above ratio analysis table that the percentage of employee expenses was highest in FY 2063/2064 and lowest in FY 2065/2066 (10.60% & 2.67% respectively).

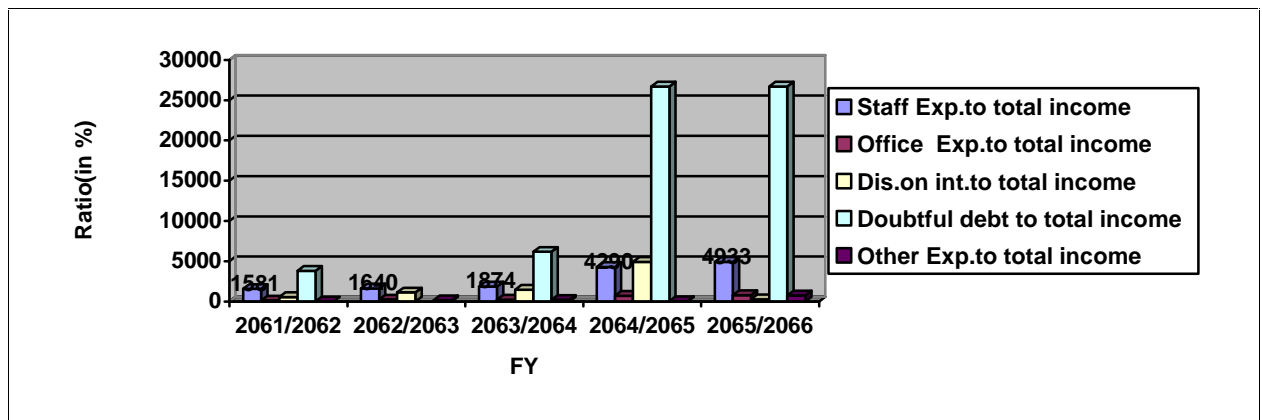
While observing office expenses to total income ratio there was not much variation over the year. In the percentage it's 4.038%, 6.94%, 10.60%, 5.17% & 2.67% from FY 2061/2062 to FY 2061/2062 respectively.

While observing discount on interest to total income ratio analysis table the Source -ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066. The percentage of discount on interest was highest in FY 2061/2062 and lowest in FY 2064/2065. It was not found increasing, expect in FY 2064/2065. In terms of percentage 1.45%, 4.84%, 8.33 %, 5.96 & 0.16 % from FY 2061/2062 to 2064/2065 respectively.

Same way while observing doubtful debt to total income ratio analysis table that the percentage doubtful debts was highest in FY 2062/2063 and lowest in FY 2064/2065. In terms of percentage 9.75%, 0 %,35 %, 32.18% &15.03% from FY 2061/2062 to 2064/2065 respectively .

In this way, ADBL in Kanchanpur district has to bear more expenses in employee, office expenses, and discount on interest, doubtful debts & other expenses respectively of the study period. All increasing ratios are not favorable for the bank. The ratios further is presented in figure 4.36

Figure 4.36
Different Expenses to Total Income Ratio



4.11.8 Analysis of Net profit to total Assets Ratio

This ratio helps to measure the ability of the bank while earning the rate of return to total assets. It further helps to provide information about the proper utilization of resources. It shows the relation between profit and total assets. Higher ratio means higher return and vice-versa as shown in table 4.37.

It is calculated by,

$$\text{NPTAR} = \frac{\text{Net profit}}{\text{Total Assets}}$$

where, NPTAR = Net profit to Total Assets Ratio

Table 4.37
Net Profit to Total Assets Ratio

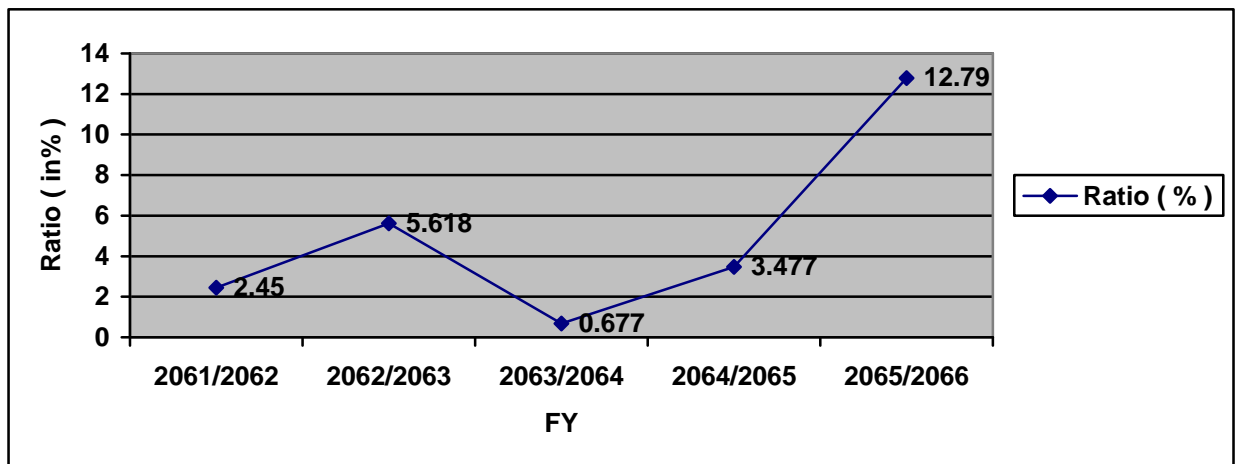
FY	Net Profit (Rs. In '000)	Total Assets (Rs. In '000)	Ratio (in %)
2061/2062	8621	352454	2.446
2062/2063	20413	363331	5.618
2063/2064	2753	406407	0.677
2064/2065	15869	456417	3.477
2065/2066	51353	401660	12.79

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

The table 4.38 indicates that the bank earned highest profit in FY 2065\2066 and the lowest in FY2063/2064. In terms of percentage the proportion of net profit to total assts is 2.45% in FY 2061/2062, 5.62% in FY 2062/2063, 0.68% in FY 2063/2064, 3.48% in FY 2064/2065 & 12.79% in FY 2065/2066. The trend is presented in figure 4.38.

Figure 4.37

Expenses to Total Income Ratio



4.11.9 Analysis of Cash And Bank Balance to Total Assets Ratio .

This ratio helps to measure the banks ability to meet its current obligations. In other words it shows the portion of cash and bank balance in total assets. Lower ratio shows lower percentage in total assets and vice versa as shown in Table 4.38.

It is calculated by,

$$\text{CBBTAR} = \frac{\text{Cash \& Bank balance}}{\text{Total Assets}}$$

Where , CBBTAR = Cash & Bank balance to Total assets Ratio

Table 4.38

Cash & Bank Balance to Total Assets Ratio

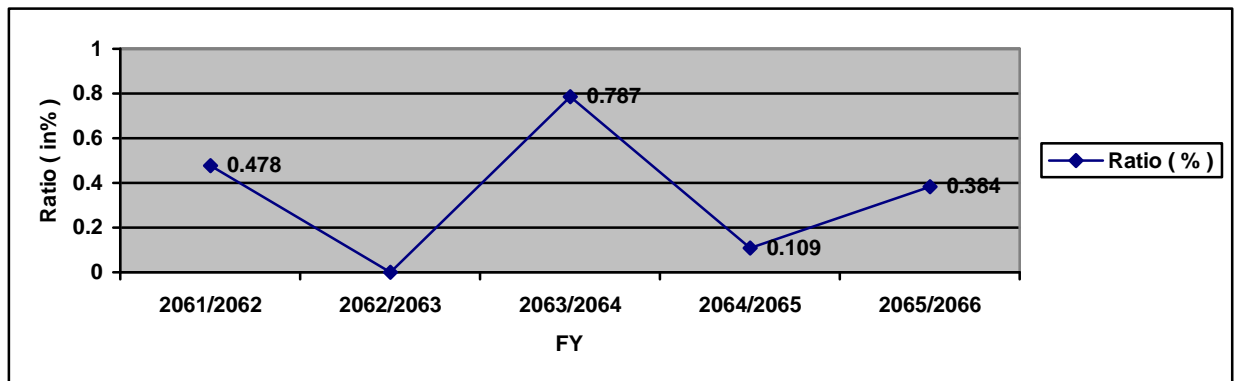
FY	(Rs. In '000)	Total Assets (Rs. In '000)	Ratio (in %)
2061/2062	1684	352454	0.478
2062/2063	735	363331	0.202
2063/2064	3199	406407	0.787
2064/2065	498	456417	0.109
2065/2066	1544	401660	0.384

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.39 represented that the percentage of cash and bank balance to total assets ratio is the highest in FY 20663/2064 & lowest in FY 2064/2065. In terms of percentage the proportion of cash and bank balance to total assets are 0.478% , 0.202% , 0.787% , 0.109% &0.384 in FY 2061/2062 & 2065/2066 respectively . It is further revealed that tin FY 2061/2062 & FY 2065/2066 uniform. The trend is presented in figure

Figure 4.38

Cash & bank balance to Total Income Ratio



4.11.10 Analysis of Fixed & Other Assets to Total Assets Ratio

This ratio helps it measure the proportion of fixed and other assets in total assets as shown in table 4.39

It is calculated by,

$$\text{FOATAR} = \frac{\text{Fixed \& other Assets}}{\text{Total Assets}}$$

Where , FOATAR = Fixed & other Assets to Total Assets

Table 4.39

Fixed & Other Assets to Total Assets Ratio

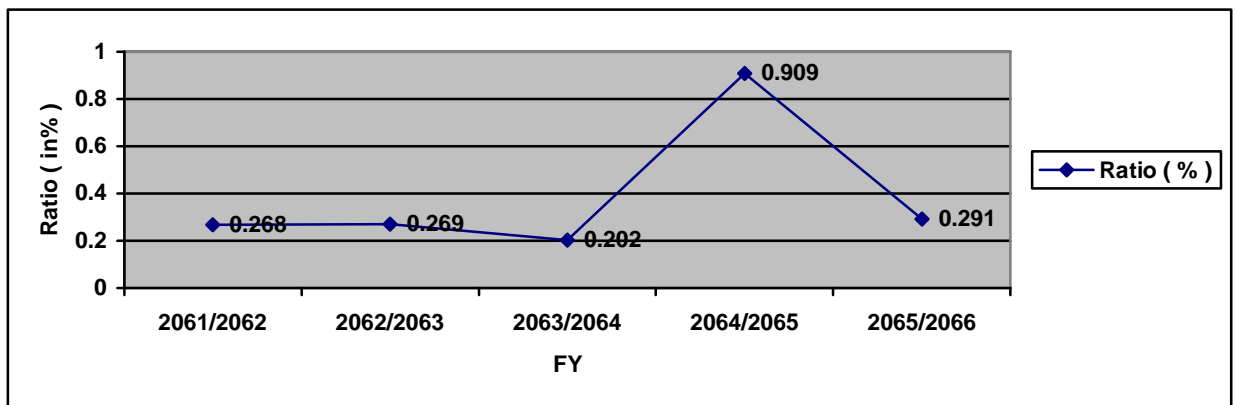
FY	Fixed & Other Assets (Rs. In '000)	Total Assets (Rs. In '000)	Ratio(in %)
2061/2062	944	352454	0.268
2062/2063	977	363331	0.269
2063/2064	819	406407	0.202
2064/2065	4149	456417	0.909
2065/2066	1167	401660	0.291

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.39 showed that percentage of fixed and other assets to total assets ratio is the highest in the FY 2064/2065 and the lowest in FY 20661/2062. In terms of percentages the proportion of fixed and other assets to total assets is 0.268%, 0.269%, .202%, 0.909% &0.291 from FY 2061/2062 to 2065/2066, respectively. The trend is presented in figure 4.39

Figure 4.39

Fixed & Other Assets to Total assets Ratio



4.11.11 Analysis of Outstanding Loan to Total Assets Ratio

Here outstanding loan refers to that loan which is disbursed tot the borrower for investment as shown in table 4.40

This ratio is calculated by,

$$\text{OLTAR} = \frac{\text{Outstanding loan}}{\text{Total Assets}}$$

Where, OLTAR = Outstanding loan to Total Assets Ratio

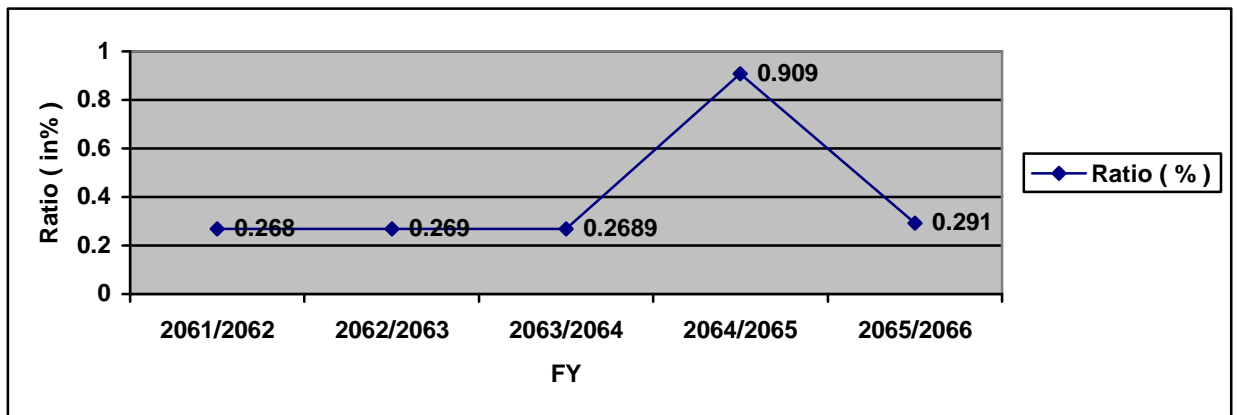
Table 4.40
Outstanding loan to Total Assets Ratio

FY	Outstanding loan (Rs. In '000)	Total Assets (Rs. In '000)	Ratio (in %)
2061/2062	305624	352454	0.2678
2062/2063	320931	363331	0.2689
2063/2064	318521	406407	0.2015
2064/2065	306600	456417	0.909
2065/2066	258907	401660	0.2905

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

The major part of the bank's asset is outstanding g loan. The highest outstanding Loan was in FY 2064/2065 and lowest outstanding loan was in FY 2061/2062. In terms of percentage, the proportion of outstanding loan to total assets is 0.2678%, 0.2689%, 0.2015%, 0.909 & 0.2905% from FY 2061/20652 to 2065/2066, respectively . The trend is presented in figure 4.40

Figure 4.40
Outstanding Loan to Total Assets



4.11.12 Comparative Analysis of Ratios (Related to Total Assets)

The different ratios like net profit to total assets , cash and bank balance to total assets , fixed and other assets to total assets and outstanding loan to total assets ratios that were discussed earlier are further analyzed as shown in table 4.41

Table 4.41
Total Assets Ratio

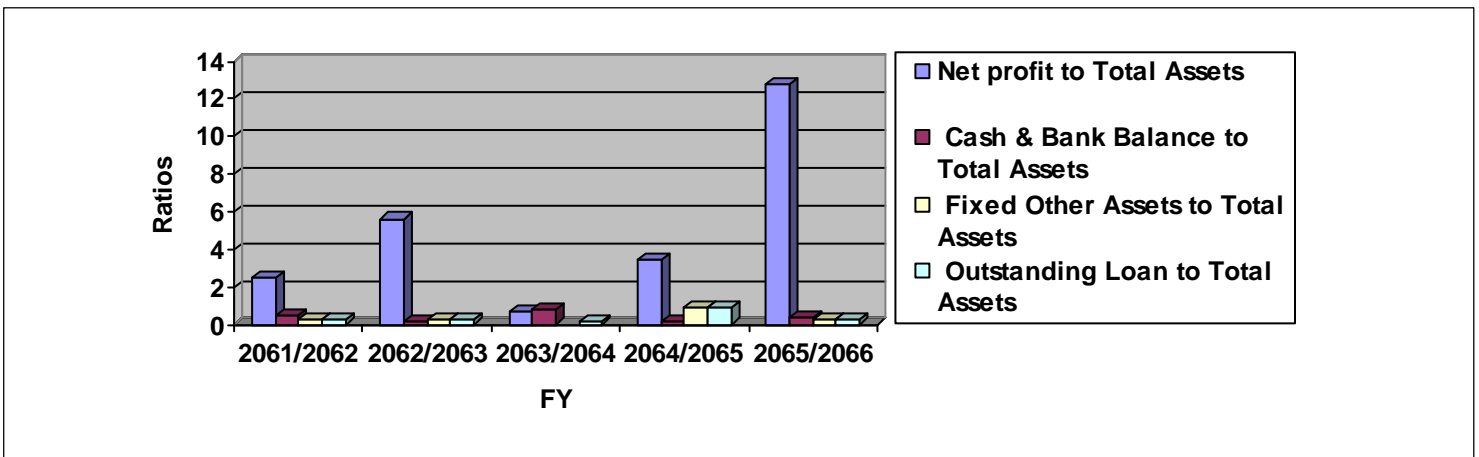
FY	Net Profit to Total Assets (in %)	Cash & Bank Balance to Total Assets (in %)	Fixed & other Assets to Total Assets (in %)	Outstanding loan to Total Assets (in %)
2061/2062	2.446	0.478	0.268	0.2678
2062/2063	5.618	0.202	0.269	0.2689
2063/2064	0.677	0.787	0.202	0.2015
2064/2065	3.477	0.109	0.909	0.909
2065/2066	12.79	0.384	0.291	0.2905

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Table 4.42 indicated that net profit to total assets ratio was the highest in FY 2065/2066 & lowest in FY 2063/2064. In terms of percentage it's 12.79% & 0.677%, respectively. The ratio of cash and bank balance to total assets was more than 1% .Similarly, the ratio of fixed and total assets was not more than 1% during the whole FY of study period. But proportion of outstanding loan was the highest in total assets ratio which was further revealed by outstanding loan to total assets ratio from 2061/2062 to 2065/2066 of the study period followed by 0.2678%, 0.2689%, 0.909%, 0.2015%, & 0.2905% respectively. This trend is presented in figure 4.41

Figure 4.41

Total Assets Related Ratios



4.12 Analysis of Non-performing Assets.

Analysis of non performing asset is the asset, which remains idle and doesn't help the bank to generate income. Bank generally gets such assets form the borrower when the borrower is unable to pay the disbursed loan , the bank do not refund the mortgaged property (which bank takes from the borrower as the security of loan) and try to recover from it . If the quality of that mortgaged asset is not good enough then this problem arises. From this type of idle assets bank has to bear a lot of unnecessary expenses and it decreases the profit of the bank. It also gives a bad impression to stakeholders.

It is already mentioned that this assets is also shown in B\S along with other asset. The non-performing assets cannot be classified from the other assets in the balance sheet nut it helps to increase the asset amount and highlights the good financial position of the bank. Actually such assets do not give any return .Therefore bank should try to do its utmost effort tot convert such assets into performing assets. In this regard, situation of ADBL, Kanchanpur during study period is shown in table 4.42

Table 4.42

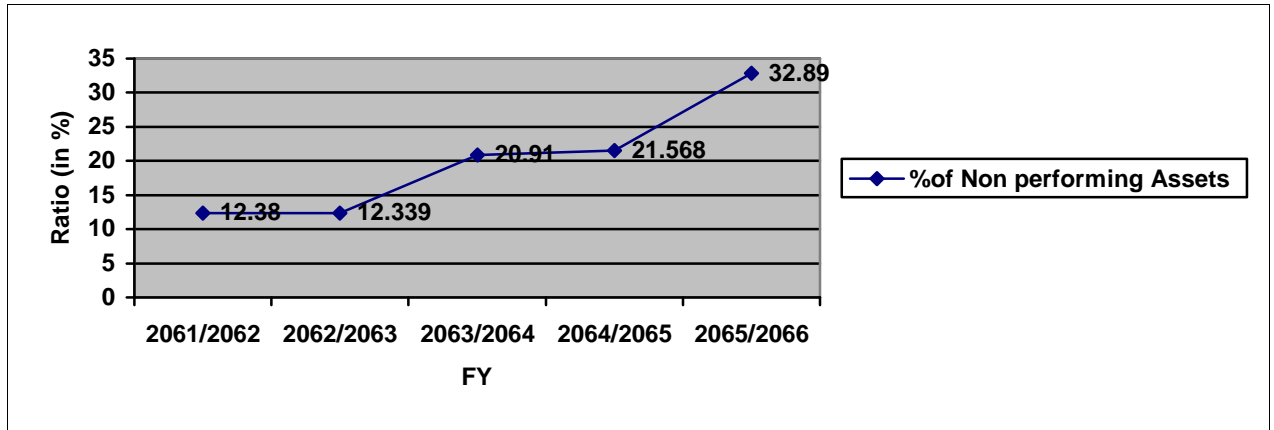
Non-performing Assets of the Bank

FY	Amount of Non-performing Assets (Rs in '000)	% of Non –Performing
2061/2062	23104	12.28
2062/2063	23212	12.339
2063/2064	39335	20.910
2064/2065	40572	21.568
2065/2066	61886	32.89
Total	188109	100

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Total 4.42 highlighted that percentage of non- performing assets was increasing every year during the study period. In terms of percentage it's 12.28%, 12.339%, 20.910%, 21.568%, 20.910% & 32.89% from 2061/2062 to 2065/2066, respectively. It shows the negative aspect of the bank. In this regard bank should be conscious and try to convert such assets into performing assets. The trend of non- performing asset during the study period is presented in figure 4.42

Figure 4.42
Trend of Non-performing Assets



4.13 Trend Analysis

Trend analysis reflects to dynamic pace in the movement of to phenomenon over a period of time. It's done to know how much it would be next year if it follows the pattern of past years. It helps to forecast the trend values of succeeding years. But computed values many differ from, the actual value.

4.13.1 Trend Analysis of Loan disbursement

As already mentioned that interest is the major source of income of this bank More loans disbursed means more returns but such disbursement should be done with utmost carefully carte . The trend of loan disbursement shown in Table 4.43

Table 4.43
Trend of Loan disbursement (Rs. In '000)

FY	Loan disbursement Y	Year X	XY	X ²	Trend Values
2061/2062	141233	-2	-282466	4	137732
2062/2063	131671	-1	-131671	1	135629.4
2063/2064	133567	0	0	0	133526.8
2064/2065	129215	1	129215	1	131424.2
2065/2066	131948	2	263896	4	129321.6
N=5	Y = 667634	X=0	XY =-21026	X = 10	

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Here, we have trend equation , $y=a+bx$

Other equation, $y = Na -b x$ ----i

$$xy=a x+b x^2-----ii$$

Now substitution the above calculation value in equation i & ii

$$y = Na -b x$$

$$\text{or, } 667634=5 \times a-b \times 0$$

$$\text{or, } a = \frac{667634}{5}$$

$$\therefore a = 133526.8$$

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

$$-21026= a \times 0 +b \times 10$$

$$10b=-21026$$

$$b = \frac{-21026}{10}$$

$$b = -2102.6$$

Again substituting the value of a & b in trend equation i.e

$$y=a+bx$$

$$y = 133526.8+ (-2102.6) \times x$$

Hence, for the year 2066/2067 will be.

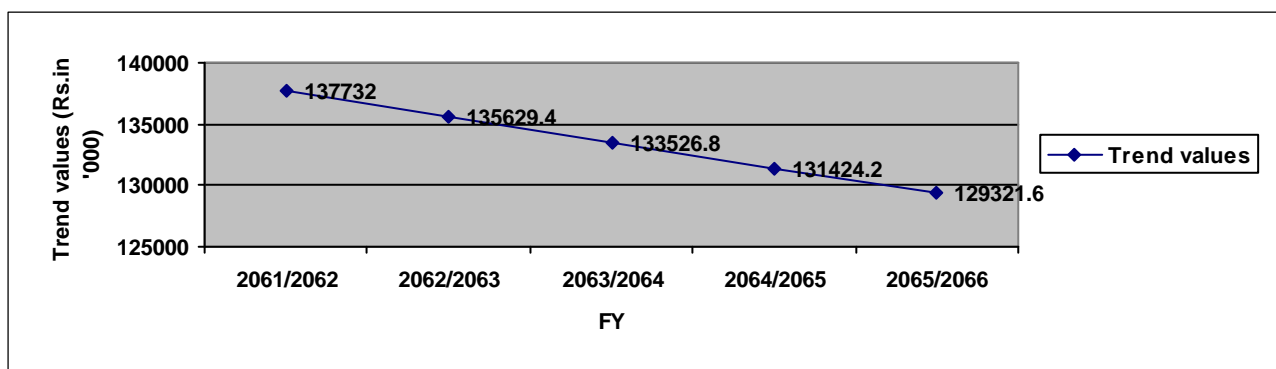
$$y = 133526.8 + (-2102.6) \times 3$$

$$y = 127219 ('000)$$

Tend analysis shows that disbursement of loan was increasing in the every FY. It shows that disbursement of loan for coming year will be Rs. 127219 (in, 000s) .There is no huge difference between actual value and trend value. The trend has been presented in figure 4.44

Figure 4.43

Loan disbursement



4.13.2 Trend Analysis of collection of loan

Like disbursement collection is also an essential aspect of the bank. It's always eager to know about the successive collection as shown in table 4.44

Table 4.44
Trend of Loan Collection (Rs. In '000)

FY	Collection of Loan Y	Year X	XY	X ²	Trend Values
2061/2062	113563	-2	-227126	4	105950.6
2062/2063	116364	-1	-116364	1	121643.4
2063/2064	135977	0	0	0	137336.2
2064/2065	141136	1	141136	1	153029
2065/2066	179641	2	359282	4	184414.6
N=5	Y=686681	X=0	XY = 156928	X = 10	

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Here , we have trend equation , $y=a+bx$

Other equation , $y = Na -b x \text{ ---i}$

$xy=a x+b x^2\text{ ----ii}$

Now substitution the above calculation value in equation i&ii

$$y = Na -b x$$

$$\text{or, } 686681 = 5 \times a - b \times 0$$

$$\text{or, } a = \frac{686681}{5}$$

$$5$$

$$\dots a = 137336.2$$

$$\text{or, } xy = a x + b x^2$$

$$\text{or, } 156928 = a \times 0 + b \times 10$$

$$\text{or, } 10b = 156928$$

$$\text{or, } b = \frac{156928}{10}$$

$$10$$

$$\dots b = 15692.8$$

Again substituting the value of a & b in trend equation i.e

$$y = a + bx$$

$$y = 137336.2 + 15692.8 \times x$$

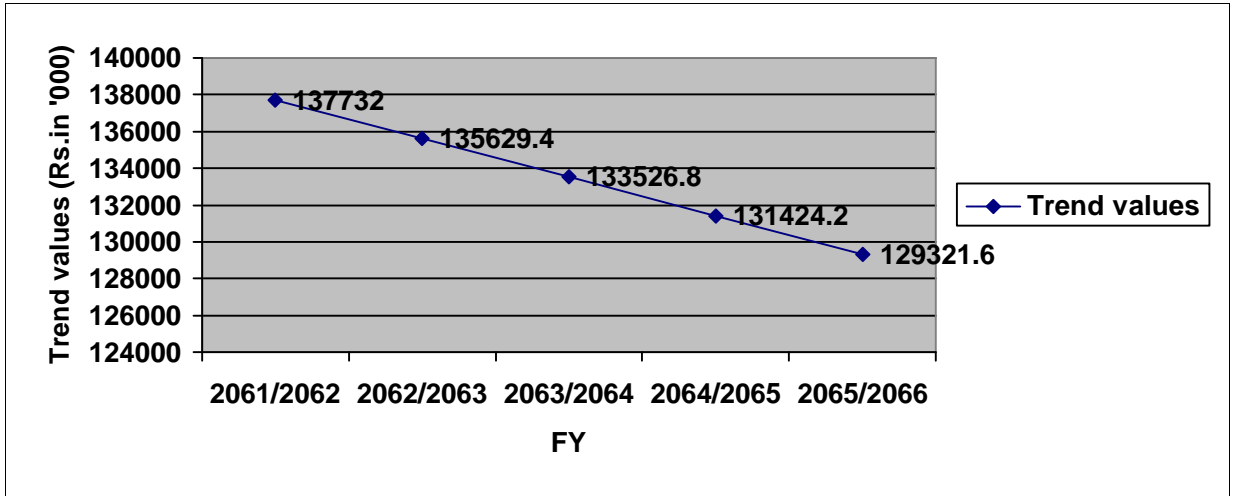
Hence, for the year 2066/2067 will be.

$$y = 137336.2 + 15692.8 \times 3$$

$$y = 184414.6$$

It is observed that trend value and actual values of collection loan are the same. There is no huge gap but a little bit difference can be seen. Trend analysis shows that collection of loan was increasing every FY. It amounts to Rs 184414.6('000) in coming year. The trend is presented in figure 4.44

Figure 4.44
Loan Collection



4.13.3 Trend analysis of Interest Collection

As it has been already mentioned that interest is the main source of income of this bank. So interest collection is also necessary for the Bank to generate more revenue. The trend of interest collection has been shown in table 4.45

Table 4.45
Trend of Interest Collection (Rs. in '000)

FY	Interest Collection Y	Year X	XY	X ²	Trend Values
2061/2062	34138	-2	-68276	4	30617.6
2062/2063	31875	-1	-31875	1	371409.7
2063/2064	39233	0	0	0	43601.8
2064/2065	56454	1	56454	1	50093.9
2065/2066	56309	2	112618	4	56586
N=5	Y=218009	X=0	XY = -68921	X ² = 10	

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Here, we have trend equation, $y = a + bx$

Other equation,

$$y = Na - b x \text{ ----i}$$

$$xy = a x + b x^2 \text{ ----ii}$$

Now substitution the above calculation value in equation I & ii

$$y = Na - b x$$

$$\text{or, } = 5 \times a - b \times 0$$

$$\text{or, } a = \frac{218009}{5}$$

$$\dots a = 43601.8$$

$$\text{or, } xy = a x + b x^2$$

$$\text{or, } 64921 = a \times 0 + b \times 10$$

$$\text{or, } 10b = 64921$$

$$\text{or, } b = \frac{64921}{10}$$

$$\dots b = 6492.1$$

Again substituting the value of a & b in trend equation i.e

$$y = a + bx$$

$$y = 43601.8 + 6492.1 \times x$$

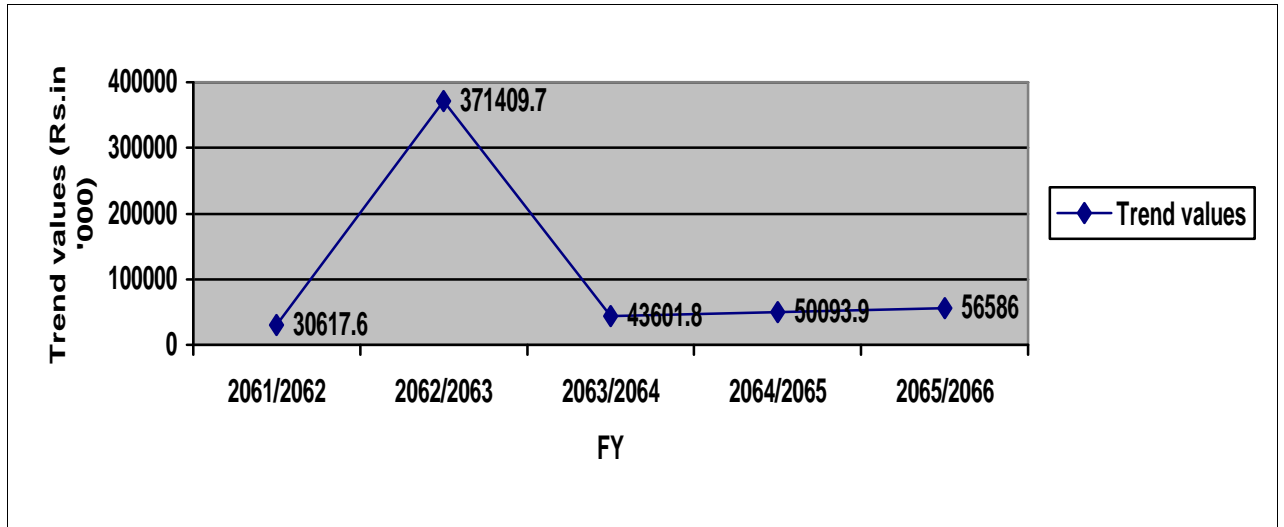
Hence, for the year 2066/2067 will be,

$$y = 43601.8 + 6492.1 \times 3$$

$$y = 63078.1 (\text{'000})$$

It is observed from above table 4.45 that the trend value of interest collection was decreasing every year. There is no huge difference between actual value and trend value. But in 2062/2063 the trend value is increased. Trend analysis shows that interest collection for coming year will be 63078.1(in'000) which is more than the preceding years. The trend is shown in figure 4.45

Figure 4.45
Interest Collection



4.13.4 Trend Analysis of Loan Outstanding

With the increases in loan disbursement loan outstanding also increases. Bank generates income through this outstanding loan.

In this district there was increasing and decreasing in loan outstanding every year during the years of the study period. The outstanding trend of next year i.e. 2066/2067 is shown in the table 4.46

Table 4.46
Trend of loan Outstanding (Rs. in '000)

FY	Outstanding Loan Y	Year X	XY	X ²	Trend Values
2061/2062	305624	-2	-611248	4	304271.9
2062/2063	320931	-1	-320931	1	3031943
2063/2064	318521	0	0	0	2021166
2064/2065	306600	1	306600	1	3010390
2065/2066	258907	2	517814	4	2999614
N=5	Y=1510583	X=0	XY =-107765	X = 10	

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Here, we have trend equation, $y = a + bx$

Other equation, $y = Na - b \sum x$ ----i
 $xy = a \sum x + b \sum x^2$ -----ii

Now substitution the above calculation value in equation i&ii

$$y = Na - b x$$

$$\text{or, } = 5 \times a - b \times 0$$

$$\text{or, } a = \frac{1510583}{5}$$

$$\therefore a = 3021166$$

$$\& \quad xy = a x + b x^2$$

$$\text{or, } -107765 = 3021166 \times 0 + b \times 10$$

$$\text{or, } 10b = -107765$$

$$\text{or, } b = \frac{-107765}{10}$$

$$\therefore b = -10776.5$$

Again substituting the value of a & b in trend equation i.e,

$$y = a + bx$$

$$y = 3021166 + (-10776.5) \times x$$

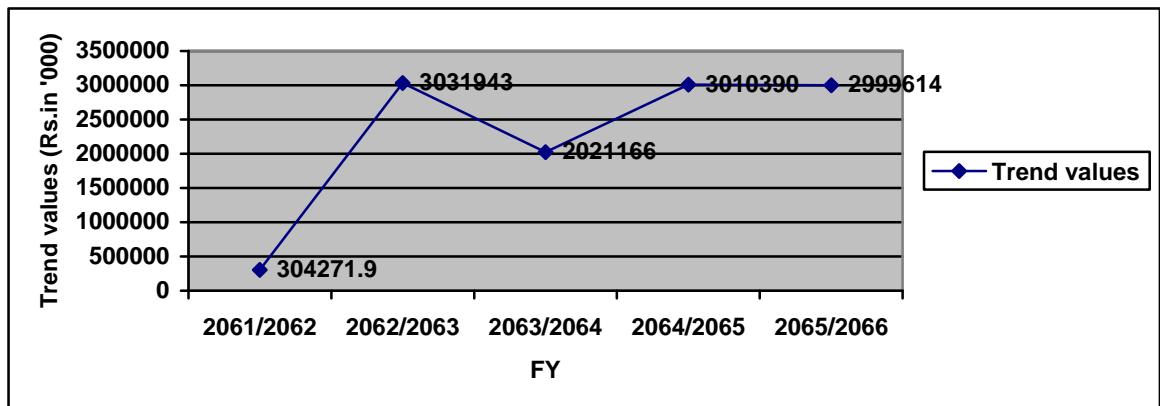
Hence, for the year 2066/2067 will be,

$$y = 3021166 + (-10776.5) \times 3$$

$$y = 2988836.5 ('000)$$

It is observed from above table 4.47 that the trend value of loan outstanding was increasing & decreasing in study period. There is no huge difference between actual value and trend value . Trend analysis shows that interest collection for coming year will be Rs.2988836.5 ('000) which is less then the preceding years. The trend is shown in figure 4.46.

Figure 4.46
Loan Outstanding



4.14.5 Trend Analysis of Overdue Loan

Disbursed loan should be collected on time other wise overdue situation arises. The trend of overdue has been shown in table 4.47

Table 4.47
Trend Analysis of Overdue Loan (Rs. in '000)

FY	Overdue Loan Y	Year X	XY	X²	Trend Values
2061/2062	48780	-2	-97560	4	75523.4
2062/2063	89989	-1	-89989	1	78021.2
2063/2064	117002	0	0	0	80519
2064/2065	81121	1	81121	1	83016.8
2065/2066	65703	2	131406	4	85514.6
N=5	Y=402595	X=0	XY = 24978	X = 10	

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Here , we have trend equation , $y=a+bx$

Other equation , $y = Na -b x$ ----i

$$xy=a x+b x^2$$
-----ii

Now substitution the above calculation value in equation i & ii

$$y = Na -b x$$

$$\text{or, } =5 \times a -b \times 0$$

$$\text{or, } a = \frac{402595}{5}$$

$$5$$

$$\dots a = 80519$$

$$\& \quad xy=a x+b x^2$$

$$\text{or, } 24978 = a \times 0 +b \times 10$$

$$\text{or, } 10b=24978$$

$$\text{or, } b = \frac{24978}{10}$$

$$10$$

$$\dots b = 2497.8$$

Again substituting the value of a & b in trend equation i.e.,

$$y=a+bx$$

$$y =80519 + 2497.8 \times x$$

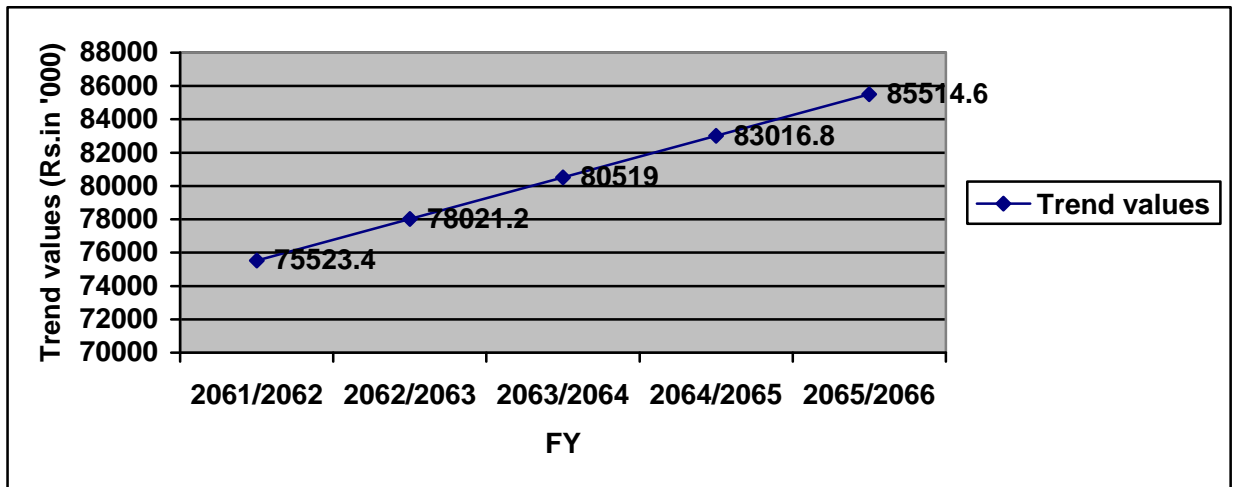
Hence, for the year 2066/2067 will be .

$$y = 80519 +2497.8 \times 3$$

$$y = 88012.4$$

It is observed from above table 4.48 that the trend value of overdue loan was increasing in study period. There is no huge difference between actual value and trend value. Trend analysis of overdue loan shows that for coming year will be Rs. 88012.4 ('000). Which is more than the preceding years. It means overdue loan will be further increased but bank should try to minimize the over due loan. The trend has been shown in figure 4.47.

Figure 4.47
Overdue Loan



4.13.6 Trend Analysis of Interest Receivable

Interest is the main source of income for this bank and it is able to generate more revenue by it, which is already mentioned in previous chapters.

So, from the disbursed loan, if interest is not collected timely then bank shows this income as interest receivable. The trend of interest collection will be clear by the following computation of trend analysis as shown in table 4.48

Table 4.48
Trend of Interest Receivable (Rs. in '000)

FY	Interest Receivable Y	Year X	XY	X ²	Trend Values
2061/2062	41635	-2	-83270	4	46910.2
2062/2063	57537	-1	-57537	1	48938.5
2063/2064	68627	0	0	0	50966.8
2064/2065	53546	1	53546	1	52995.1
2065/2066	33489	2	66978	4	55023.4
N=5	Y=254834	X=0	XY = -20283	X = 10	

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Here, we have trend equation,

$$y = a + bx$$

Other equation,

$$y = Na - b \sum x \text{ ----i}$$

$$\sum xy = a \sum x + b \sum x^2 \text{ ----ii}$$

Now substitution the above calculation value in equation i & ii

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

$$\text{or, } 254834 = 5 \times a - b \times 0$$

$$\text{or, } a = \frac{254834}{5}$$

$$\therefore a = 50966.8$$

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

$$\text{or, } -20283 = a \times 0 + b \times 10$$

$$\text{or, } 10b = -20283$$

$$\text{or, } b = \frac{-20283}{10}$$

$$10$$

$$\therefore b = -2028.3$$

Again substituting the value of a & b in trend equation i.e.

$$y = a + b x$$

$$y = 50966.8 - 2028.3 \times x$$

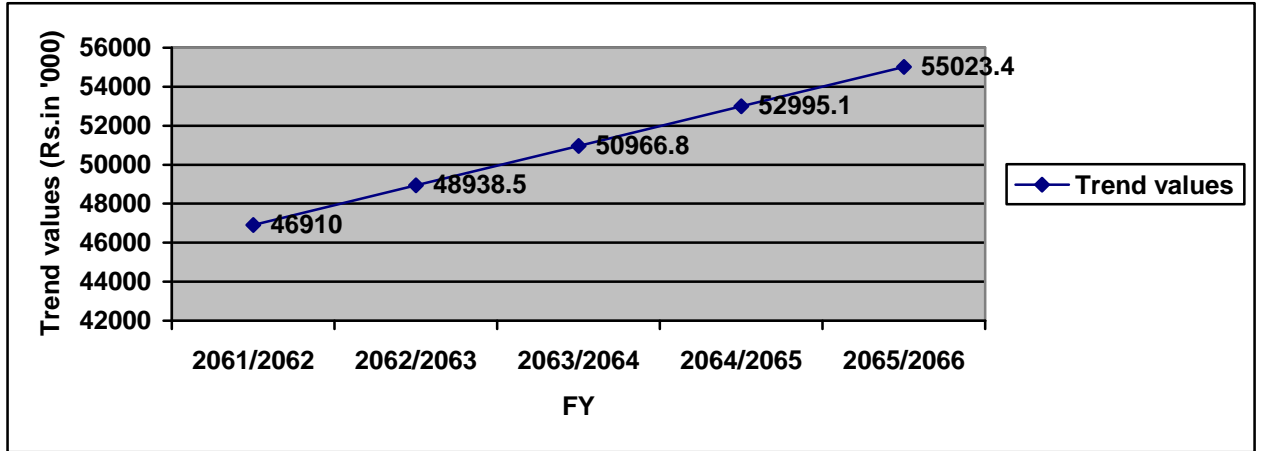
Hence, interest receivable for the year 2066/2067 will be.

$$y = 50966.8 - 2028.3 \times 3$$

$$y = 44881.9$$

The above table 4.49 shows that interest receivable was increasing and decreasing in the study periods except in FY 2066/2067. Actual value is much different from trend value. The interest receivable will be Rs 44881.9 (in '000) in FY 2066/2067. The trend has been shown in figure 4.48

Figure 4.48
Interest Receivable



4.14 Correlation Analysis

Here under this topic correlation coefficient is calculated to measure the relationship between overdue and doubtful debts, profit and interest income and expenditure and doubtful debts which are as follows.

4.14.1 Analysis of Correlation between Overdue and Doubtful Debts

Correlation and doubtful debts are correlated with each other. With the increasing overdue doubtful debts also increase as shown in table 4.49

Table 4.49

Correlation between Overdue and Doubtful Debts(Rs. In '0,00,0000)

FY	Overdue (X)	Doutful Debt (Y)	XY	X ²	Y ²
2061/2062	48.78	3.82	2379.5	2379.5	14.5924
2062/2063	89.989	0	8098	8098	0
2063/2064	11.7	6.187	136.89	136.89	38.27897
2064/2065	81.121	26.691	6580.6	6580.6	712.4095
2065/2066	65.7	26.691	4316.5	4316.5	712.4095
	x =297.29	y =63.389	XY =21512	X ² =21512	Y ² =1477.66

Source :-ADBL Branch office of Kanchanpur District , FY 2061/2062 to 2065/2066

Now , substitution the above value calculate value in the following formula

$$R = \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}}$$

Where , r = Pearson correlation coefficient

Now, we have

N = No. of fiscal Years

x = Values of Overdue

Y= Values of Doubtful Debt

XY= Sum of product of variable X & Y

Here, we have,

N = 5

x = 297.29

Y= 63.386

XY= 4177

X² =21511.9

Y² = 1477.66

$$R = \frac{5 \times 4177 - (297.29)(63.386)}{\sqrt{5 \times 21511.9 - (297.29)^2} \sqrt{5 \times 1477.66 - (63.386)^2}}$$

$$= \frac{20885 - 18844.02}{\sqrt{107559.5 - 88381.34} \sqrt{7388.3 - 4017.78}}$$

$$= \frac{2040.98 - \frac{19178.16 \times 3370.52}{138.48 \times 58.05}}{8038.764}$$

$$= 0.2539$$

$$R = 0.2539$$

Probable Error Here ,

$$R = 0.2539$$

$$N = 5$$

We have ,

$$R = 0.2539$$

$$N = 5$$

We have ,

$$PEr = 0.6745 \frac{1 - r^2}{N}$$

$$\text{Or, } 0.6745 \frac{1 - (0.2539)^2}{5}$$

$$\text{Or, } 0.6745 \times \frac{0.9355}{2.236}$$

$$\text{Or, } 0.6745 \times 0.4183$$

$$\text{Or, } 0.2822$$

$$PEr = 0.2822$$

Above calculation reveals that the correlation and probable error between overdue and doubtful debts of ADBL, Kanchanpur were 0.2539 & 0.2822. The correlation coefficient is greater than six times of the probable error i.e. $0.2539 > 6 \times 0.2822$. It indicates that there is high degree of co-relation between overdue and doubtful debts at significant level.

4.14.2 Analysis of Correlation between Profit and interest income

Income and profit are directly correlated to each other. Therefore with the increasing income profit also increase as shown in Table 4.50

Table 4.50
Correlation between Profit and interest income (Rs. in '0,00,000)

FY	Profit X	Interest Income Y	XY	X²	Y²
2061/2062	8.621	14.308	123.35	74.322	204.7189
2062/2063	20.413	19.83	404.79	416.69	393.2289
2063/2064	2.753	17.331	47.712	7.579	300.3636
2064/2065	15.869	33.444	530.72	251.83	1118.501
2065/2066	51.353	29.1989	1499.5	2637.1	852.5758
	X = 99.009	y =114.1119	XY =2606	X ² =3387.5	Y ² =2869.388

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Now, substitution the above value calculate value in the following formula

$$R = \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}}$$

Where, r= pearson correlation coefficient

Now, we have

N = No. of fiscal Years

X = Values of Profit

Y= Values of Interest Income

XY= Sum of product of variable X & Y

Now, we have

N = 5

x = 2606

Y= 99.009

XY= 114.1119

X² =3387.5

Y² = 2869.388

$$R = \frac{5 \times 2606 - (99.009)(114.119)}{\sqrt{5 \times 3387.547 - (99.009)^2} \sqrt{5 \times 2869.38 - (114.119)^2}}$$

$$\begin{aligned}
&= \frac{13030-11298.12}{16937.5 -9802.78 \quad 14346.9- 13023.15} \\
&= \frac{1731.89}{7134.72 \quad 1323.75} \\
&= \frac{1731.89}{84.47 \times 36.38}
\end{aligned}$$

$$R = 0.5636$$

Probable Error Here ,

Here ,R = 0.5636

$$N = 5$$

We have ,

$$PEr = 0.6745 \frac{1-r^2}{N}$$

$$\text{Or, } 0.6745 \frac{1-(0.5636)^2}{5}$$

$$\text{Or, } 0.6745 \frac{1-0.3176}{2.236}$$

$$\text{Or, } 0.6745 \times \frac{0.6824}{2.236}$$

$$\text{Or, } 0.6745 \times 0.3052$$

$$R=0.3693$$

Above calculation reveals that the correlation and probable error between profit and interest income of ADBL, Kanchanpur were 0.5636 & 0.3693.

The correlation coefficient is greater then six times of the probable error i.e. $0.5636 > 6 \times 0.3693$. It indicates that there is high degree of co-relation between Profit and interest income at significant level .

4.14.3 Analysis of Correlation between Expenditure and Doubtful Debts

Doubtful debts is one of the items of expenditure .Expenses increase with increasing doubtful debts as shown in Table 4.51

Table 4.51

Correlation between Expenditure and Doubtful Debts(Rs. in ‘0,00,0000)

FY	Expenditure X	Doubtful Debts Y	XY	X²	Y²
2061/2062	6.238	3.82	23.829	38.913	14.5924
2062/2063	3.205	0	0	10.272	0
2063/2064	10.014	6.187	61.957	100.28	38.27897
2064/2065	36.696	26.691	979.45	1346.6	712.4095
2065/2066	33.495	26.691	894.02	1121.9	712.4095
	x =89.648	y =63.389	XY =1959.3	X ² =2618	Y ² =1477.69

Source:-ADBL Branch office of Kanchanpur District, FY 2061/2062 to 2065/2066

Now , substitution the above value calculate value in the following formula

$$R = \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}}$$

Where, r = persianion correlation coefficient

Now, we have

N = No. of fiscal Years

x = Values of Expenditure

Y= Values of Doubtful debt

XY= Sum of product of variable X & Y

Now, we have

N = 5

x = 89.648

Y= 63.389

XY= 1959.3

X² =2618

Y² = 1477.68

$$R = \frac{5 \times 1959.3 - (89.648)(63.389)}{\sqrt{5 \times 2618 - (89.648)^2} \sqrt{5 \times 1477.68 - (63.39)^2}}$$

$$\begin{aligned}
&= \frac{9796.5-5682.69}{13090-8036.76 \quad 7388.4-4018.29} \\
&= \frac{4113.81}{5053.24 \quad 3370.12} \\
&= \frac{4113.81}{71.08 \times 58.05} \\
&= \frac{4113.81}{4126.38} \\
&= 0.9969 \\
R &= 0.9969
\end{aligned}$$

Probable Error Here ,

$$R = 0.9969$$

$$N = 5$$

We have ,

$$PEr = 0.6745 \frac{1-r^2}{N}$$

$$\text{Or, } 0.6745 \frac{1-(0.9969)^2}{5}$$

$$\text{Or, } 0.6745 \times \frac{0.00619}{2.236}$$

$$\text{Or, } 0.6745 \times 0.002768$$

$$PEr = 0.00186$$

Above calculation reveals that the correlation and probable error between Expenditure and Doubtful Debts of ADBL, Kanchanpur were 0.9969 & 0.00186.

The correlation coefficient is greater than six times of the probable error i.e. $0.9969 > 6 \times 0.00186$. It indicates that there is high degree of co-relation between profit and interest income at significant level.

4.15 Financial Source of the Bank

In past ADBL had to depend on the donor agency for finance. Many times, it had to go through financial crisis. Its financial performance was not good so there were fewer places to believe upon its efficiency and effectiveness. Although the objectives behind the establishment of this bank was very appreciable, even then it is suffering through financial crisis.

For the bank, it was very difficulty to survive only investing in development sector. So realizing this fact form 2041 B.S., it had started its commercial banking function. Afterwards this bank was able to collect more funds (by accepting deposit) and even invested in commercial sectors. Sill there were difficulties to collect interest on time, later on it was again very difficult to collect the entire interest on time and the entire interest amount at once. On many occasions borrowers weren't able to pay such a large amount of interest. At last, bank had to give incentives to refund the invested money by giving a lot of discount.

So to overcome such problems this bank has brought 'First reform program 2054'. After implementation of this program it was able to generate more income interests.

Along with the reform program the development bank has started to give non agriculture credit from FY 2058/2059. The study shows that it was increasing every yr.

These efforts have helped the bank in its survival. The whole ADBL is working as a network throughout the country. By its own efforts now this bank is able to fulfill its financial needs internally. So, the bank of his district is also dynamically viable. It's main sources of finance are:-

Collection on Principal: A major part of bank's income is through this mode. The data also shows that the trend of principle collection of this bank was increasing which was a positive sign for the bank.

Collection of Interest on loan : The bank meets most of its need from the income generated from interests collected on loans . The study also highlights an increasing trend in this respect , which is a very good sign for the working and existence of the bank .

5% Deposit: While providing loans more than Rs. 50000 the bank keeps 5% of that loan in the form of deposit. It is also a source of finance for the bank.

Other incomes: The Bank also earns it's revenue through other sources. Most of its income from other sources is derived from non performing assets.

Internal loan: This bank also earns by providing loans to the branches . In case of any shortage of fund in other branches of ADBL, it provides loan according to their demand and earns interest on the given amount.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Nepal is an agricultural country. Most of the people of this country are dependent on agriculture. Our country's more than 70% agriculture related commodities are exported to other countries. So without the development of this sector neither industrial development is possible nor is poverty alleviation possible. Without increasing agriculture production agriculture related industries cannot be developed. So development of agriculture sector helps in all round development of this country. In past due to lack of financial and technical support, many poor farmers suffered a lot. They were exploited by the landlords and merchants. But during that time they were only the main source of finance for them.

Later on realizing the situation different co-operative effort were done by the government sector and after a long effort in 1967, ADBL was established for the development of agriculture sector.

After the land reform saving co-operation was merged into ADBL in 1973, the ADBL has been the only specialized institution in the area of agricultural financing in Nepal.

In 1975 with one of the basic objectives of uplifting the social economic condition of the small farmers in Nepal, small farmers development program is being administered by ADBL and from the year 2041 B. S. it has started to serve with the commercial banking function. It has played a great role in developing agriculture sectors and also in mobilizing capital through commercial function. By than this bank is collecting money from urban sectors disbursing in rural sector.

ADBL is a big financial institution, which is working in rural sector. At first this bank had emphasized on providing agriculture loans. Later on it has enlarged its working sector.

In 2054 B.S. ADBL has brought "1st Reform program" to improve the financial health of the bank and for the long-term benefits of the farmers. Now there is an improved financial health of the bank and it is able to invest money in big government. Development projects too. Now financial position of the bank is better than the time of donor funding. After the successful results of 'First reform program' this bank had brought 'Second reform program' in 2058 B. S. i.e. "Responsibility center concept". Form the FY 2058/059 this Bank has started to give non-agriculture credit too. After the re-establishment of democracy in 2046 B.S. the situation has changed. Due to instable

government many scoters were badly affected. In present context there is no alternative of this bank because it is the only bank, which is able to reach into every district and every part of the country. Although there are some other organizations to support the agriculture sector but in comparison to ABDL no one come in front.

To enhance the life standard of the farmer, to develop the agriculture sector as well as to develop the whole economy, ADBL is working through three doors system i.e. development bank, commercial banking and poverty alleviation program.

Now this bank has been established in the form of huge net work and capital structure in the country, regulated according to financial organization act 2063. This bank has registered under company act and it has been got 'A' class financial institution licensed by Nepal Rastra Bank.

In this way ADBL is playing a tremendous role for the development of the country. Importance of ADBL is realized in every district of the country but due to different geographical features of the country most of the cultivable lands remain in terai region. This is the only region of the country which is fulfilling the needs of foodstuff of the country. Due to this reason also there is need for more agriculture credit.

Among the five developments Region FWDR is the least development region of the country. This region's two district Kailali and Kanchanpur falls upon terai region. These districts also supply food grains to other parts of the country and are known as developed districts of this FWDR .In this context the Researcher has realized the need of the study in these districts but due to limitation of the study, she has focused her study only in Kanchanpur district.

Most of the people of this district are also dependent on agriculture, so ADBL can play vital role in this sector. In this district there are three branches and one sub branch office. Development banks were established in different parts of the district in different years and are performing their activities independently but there is co-operation which are controlled and monitored by regional office in district. Except it there is one commercial bank of ADBL, which is excluded from study.

Despite of numerous objectives of the bank, the farmers are not benefited due to lack of financial as well as technical support. If they are able to get this support even then they are unable to utilize it properly due to shortage of qualitative seeds, fertilizers, good market and good price of the agriculture products. On the other side due to the conflict situation of the country since two years all the branch offices of ADB/L were shifted to town area. Due to this both the Bank as well as poor farmers of the district were suffered lot.

In this way there are different things to be studied, which are concerned with the bank but due to its own limitations the researcher has focused her study on the development bank and has used compiled data for the study. This study mainly focuses on financial performance of ADBL Kanchanpur district for the partial fulfillment of Masters Degree in management .

In this research whole study is segregated into five chapters. The main objectives of the study is to analyze the financial performance of the Agri. Development Bank (ADBL) of this district by analyzing disbursement, P/L A/C and B/S with the help of trend analysis, ration analysis and correlation analysis with the help of trend line and different diagrams. And lastly to examine the challenges faced by the bank and provide appropriate suggestions in this regard.

While analyzing the availed data of the bank the researcher has found that the overall situation of the bank is not bad but overdue, interest receivable, expenses and non performing assets increasing trend shows the negative situation of bank. It should be decreased for the betterment of the bank's overall financial condition.

5.2 Summary of major finds

Followings are the major finds of the study

ADBL is the main source of finance in the agriculture sector . Its role is also vital in Kanchanpur district. The major source of income of the bank is interest on loan, Service charge etc. but there is just study under the interest on loan which was increasing in every FY of the study period. Total disbursement trend was decreasing except in the FY 2061/2062.

While analyzing individual trend of disbursement.

-) The highest percentage of disbursement on cereal crops in the FY 2061/2062 and the lowest in FY 2062/2063 and in terms of percentage it was 68.83% & 31.17%.
-) The highest percentage of disbursement on cash crops in the (71.43%) & lowest percentage (28.57%).
-) The disbursement on biogas was highest percentage 74.17% in FY 2061/2062 & lowest percentage was 25.94% in FY 2062/2063.
-) The highest percentage of disbursement was on irrigation (71.43%) & lowest percentage (28.57%).
-) The highest disbursement loan in agriculture and domestic industry Rs. 5723 in FY 2061/2062 and lowest in Rs. 39235 FY 2062/2063.

-) The highest disbursement amount of agriculture business was Rs.20286 & lowest amount was Rs. 13946.
-) The highest percentage disbursement amount of horticulture loan was 85.02% & lowest disbursement percentage was 14.98%.
-) In non-agriculture credit the highest percentage of disbursement was in FY 2061/2062 (29.17) and the lowest was in FY 2065/2066 (12.09%).
-) In agriculture activities the highest percentage of disbursement was in FY 2063/2064(48.21%) and the lowest was in FY 2065/2066 (24.55%).
-) In production loan the highest percentage of disbursement was in FY 2065/2066(89.39%) and the lowest was in FY 2064/2065 (3.31%).
-) The highest disbursement percentage of agri. tools was 55.38% in FY 2061/2062 & lowest was 0.58% in FY 2065/2066.

While analyzed collection

-) Principal collection trend was increasing every year but in slower rate. In terms of percentage it was 16.57%,16.95%,19.80%,20.55% & 26.16% respectively from FY 2061/2062 to 2065/2066 .Which was very good aspect of the Bank.
-) Interest collection was decreasing in 1st year to 2nd year in the study period, & FY 2063/2064 to 2065/2066 there was increasing. In terms of percentage it was 15.66%, 14.62%, 17.99%, 25.89 %, & 25.83 % from FY 2061/2062 to 2065/2066 respectively.
-) Outstanding loan was sometime increasing & sometime decreasing in every year of the study period but the outstanding loan of bank was decreasing in 2063/2064 to FY 2065/2066 .In term of percentage proportion of outstanding loan was 20.23%, 21.25%, 21.09%, 20.29% & 17.14% from FY 2061/2062 to 2065/2066 respectively.
-) Interest receivable was increasing every year of the study period. But in FY 2064/2065 to 2065/2066, there was decreasing amount of interest receivable. In terms of percentage the proportion of interest receivable was 16.33%, 22.58 %, 26.93%, 21.01% & 13.14% from FY 2061\2062 to 2065/2066, respectively. If interest receivable was increasing, this condition was not good for bank's overall performance because it incases the chances of non refund of loans and displays the poor performance of the bank.
-) Overdue loan was increasing continuously from FY 2061/2062 to FY 206/2066 but in FY 2063/2064 to 2065/2066 it was decreased in amount .In terms of percentage it's 12.12% , 22.35% , 29.06% , 2015% & 16.32% from 2061/2062 to 2065/2066.

While analyzed revenue

Percentage of revenue was decreasing in 2063/2064 but from 2063/2064 to 2064/2065 was increased (23.85% & 53.02 %) . In terms of percentage it's 11.26%, 7%, 5.08%, ,23.85%& 53.02 % from FY 2061/2062to 2065/2066, respectively. Percentage of expenditure was increasing every year except FY 2064/2065 i.e. 6.85%, 3.579 %, 11.18%,40.979% & 37.40 % from FY 2061/2062 to 2065/2066 respectively .

Main source of income for the bank is interest. Percentage of which was increasing percentage of income from interest on loan. In terms of percentage it's 3.79%, 5.26%, 4.59%, 8.87% & 77.47% From 2061/2062 to 2065/2066 respectively. It has helped the bank to increase its revenue.

There are also another sources of income for the bank, known as other incomes . It was highest in FY2061/206[Rs. 24841(in '000)] and lowest was in FY2063/2064 [Rs 346(in '000)].

While analyzed expenditure.

-) Amount of expenditure on employees was increased from FY 2061/2062 to FY 2065/2066. In terms of amount (in '000s) RS.1581, Rs. 1640, Rs.1874, Rs. 4290 & Rs.4933 from 2061/2062 to 22065/2066.
-) Amount of office expenditure was increasing every yr. but one yr. it was decreased. In terms of amount (in'000) was, Rs. 152, Rs.266, Rs.257, and Rs.735 & Rs.803 from FY 2061/2062 to 2065/2066 respectively.
-) Percentage of doubtful debts was increasing very ravidly from FY 2061/2062 to FY 2064/2065 . In terms of percentage it's 6%, 0.24 %, 9.74%,42% &42 % from 2061/2062 to 2064/2065 . But in the FY 2062/2063 it was deaced in this percentage (0.24%).In FY 2064/21065 & 2065/2066 its percentage was same .
-) Amount of discount on interest was increasing rapidly curing the study period but in FY 2065/2066 it was decreased in amount on discount on interest. In terms of amount (in000) was Rs.569, Rs.1144, Rs.1473, Rs.4944 & Rs.297 from 2061/2062 to 2064/2065, respectively.
-) Other expenses was increasing rapidly except FY2061/2062. In terms of amount in rupees (in '000s) Rs.19, Rs.155, Rs.223, Rs.36 & Rs.771 from FY 2061/2062 to 2064/2065 respectively.

While analyzed financial ratios

-) The ratio of interest income to total income ratio was increasing every year. Nearly 158% of income of the bank of this district was generated from interest only. In terms of percentage it's 36.55%, 83.96%, 98.04% & 40.32%, from FY 2061/2062 to 2064/2065, respectively.
-) The bank earned highest income from other sources in FY 2061/2062 & lowest income in FY2065/2066. In terms of percentage the proportion of other income to total income is 63.45 %, 16.04 %, 1.96 % ,59.68% & -58.32% from FY 2061/2062 to 2064/2065 .
-) Percentage of staff expenses was 4.04%, 6.94%, 10.60%, 5.17%, & 2.67 %, respectively from FY 2061/2062 to FY 2061/2062 .It is further revealed that among five FY, in the first three FY staff expenses to total income ratio was increasing in the percentage of staff expenses.
-) Percentage of Office expenses was 4.038%, 6.94%, 10.60%, 5.17% & 2.67%, respectively from FY five FY2061/2062 to FY 2064\2065 respectively. It is further revealed that among five FY, in the first three FY staff expenses to total income ratio was increasing, but in 4th & 5th year it was decreasing.
-) Amount of discount on interest was increasing in the study period but FY 2065/2066 the amount of discount on interest was decreased (Rs.297 in'000) In terms of amount (in'000) was Rs,569 ,Rs1144, Rs1473,Rs 4944 & Rs.297 from 2061/2062 to 2064/2065 respectively .
-) Percentage of doubtful debts was increasing very rapidly from FY 2061/2062 to FY 2064/2065. In terms of percentage it's 6.022%,0. %, 9.76%, 42.109% &42.109 % from 2061/2062 to 2064/2065. But in the FY 2062/2063 there was no doubtful debts In this year there was revenue. For the betterment of the Bank it should be decreased continuously .In FY 2064/2065 &FY 2065/2066 there was the amount of doubtful debts was same.
-) Amount of other expenses was increasing rapidly except FY2061/2062. In terms of terms of amount in rupees (in 000s) Rs 19,Rs 155 ,Rs.223 ,Rs.36 ,& Rs.771 from FY 2061/2062 to 2064/2065 respectively . It is further revealed that these expenses increased highly in FY 2061/2062 and 2064/2065.
-) While analyzing different ratio i.e. staff expenses to total income, office expenses to total income , discount on interest to total income , doubtful debts to total income it was found the bank had to bear more expenses ion staff expenses , office expenses

and doubtful debts. Ratio of them reveals the more or less same situation but other expense ratio shows very less in comparison to already mentioned ratios.

) Study reveals that Net profit to total assets ratio was the highest in FY 2065/2066 and the lowest

in FY 2062//2063. In terms of percentages it's 2.78% & 51.87% respectively.

) Percentage of cash and bank balance to total assets ratio is the highest in FY 20663/2064 & lowest in FY 2064/2065. In terms of percentage the proportion of cash and bank balance to total assets are 0.478%, 0.202%, 0.787%, 0.109%, & 0.384 in FY 2061/2062 & 2065/2066 respectively.

) Percentage of fixed and other assets to total assets ratio is highest in the FY 2064/2065 and lowest in FY 20661/2062. In terms of percentage the proportion of fixed and other assets to total assets is 0.268%, 0.269%, 0.202%, 0.909% & 0.291 from FY 2061/2062 to 2065/2066, respectively.

) In terms of percentage the proportion of outstanding loan to total assets is 0.2678%, 0.2689%, 0.2015%, 0.909% & 0.2905% from FY 2061/20652 to 2065/2066 respectively.

) Percentage of non-performing assets was increasing every year during the study period.

In terms of percentage it's 12.28%, 12.339%, 20.910%, 21.568%, 20.910%, & 32.89% from FY 2061/2062 to 2065/2066 respectively. It shows the negative aspect of the bank.

While analyzing trends of disbursement, collection of loan, interests collection, loan outstanding, overdue of loan & interest receivable, following situation is forecasted.

) Disbursement of loan shows decreasing trend in coming year. It's Rs. 127219 (in 000s).

) Trend analysis shows that collection of loan was increasing every FY. It amounts to Rs 184414.6 (in'000) in coming year.

) Trend analysis shows that interest collection was increasing. Its amount to Rs. 63078.1('000) in coming year.

) Increasing trend of interest collection shows same increasing trend in coming year will be Rs. 63078.1(in'000).

) Increasing loan outstanding trend shows that next yr there will be an increment. i.e., Rs 2988836.5(in'000).

-) While analyzing the trend of overdue loan of the bank, it was found that next year there will be an increment in the value of overdue loan, its Rs. 88012.4 (in'000) , which is not a good sign for the bank.
-) While analyzing interest receivable trend it was found that there would be an increment in the value, it's Rs 57051.7(in'000) . This is also not a positive trend of the bank.

While analyzed correlation

It was found that there was high degree of positive correlation between overdue and doubtful debts, profit and interest income & expenditure and doubtful debt at significant level.

5.3 Conclusion

Every study has its own objectives, importance and genially reaches to its conclusion. In this study also the researcher has concluded that ADBL is the main source of finance is agriculture section. Its role is vital in Kanchanpur district. After the research of previous five fiscal years (2061/2062 to 2065/2066) it is found that this bank is doing its disbursement in different agriculture and non- agricultural sectors .But while analyzing collection it was found that trend of principal and interest collection were some time increasing and some time it was decreasing. If interest collection was increasing, then it was good aspect of the bank. But outstanding, overdue & interest receivable were increasing every year during the study periods, which revealed the negative aspect of the bank.

The major source of income for the bank is interest which has decreasing trend during the study period. By which revenue of the bank was also increasing continuously. On the other hand, it has to spend amount on various heads like for office, employees, discount on interest, doubtful debts and other expenses.

While analyzing the ratios of income it was found that average ratio of interest income was 158% .Among all the expenses the bank has to bear more expenses on staff, office and doubtful debts. ADBL has never incurred any losses throughout the study period. While observing different assets related ratio it was found that outstanding loan had played significant role in total assets.

It was further found that an increase in non –performing assets was big burden for the bank and hampered the overall performance of the bank.

In the same ways the analysis of disbursement trend shows that it is decreasing in the succeeding year. But the trend of loan collection, interest collection, outstanding loan, overdue and interest collection were found to be increased.

While analyzing correlation between overdue and doubtful debts, profit & interest income and expenditure and doubtful debts were found that, there was high degree of positive correlation at significant level.

5.4 Recommendations:

After analyzing the data form the bank, the researcher has derived different conclusions. The conclusion part of finding of the study reflects the positive as negative aspects of the bank with respect to the financial performance of the bank in this Kanchanpur district. So according to such conclusion, the researcher has presented following recommendations for the improvement and overall development of the bank.

- i. To increase disbursement and for the development of a particular sector bank should continue its 'Pocket area program' according to the speciality of that particular area .
- ii. However the personal talk of the Researcher with the farmer (borrowers) revealed a separate story that they generally took loan from the bank to fulfill their household needs but the bank doesn't give loan for the same purpose . So while taking loan sometimes they narrate fake stories of investment because they don't have other alterative to get the money, so in this regard bank of this district should know the actual situation and should inspire the borrowers to invest money accordingly .
- iii. Bank should be conscious about the quality of loan and complete utilization of loan given for a particular objective. For this there should be developed modern information system, which can collect, analyses and present information on time. It plays a tremendous role in decision making while doing disbursement.
- iv. For effective collection it has to enlarge its sector but disbursing loan in different sectors to minimize the risk of collection.
- v. While disbursing loan it should be kept in mind that whether the borrower can repay interest on time or not because from some sectors it is not possible to get immediate return after disbursement. So in such cases of disbursement the bank should consider other wise the borrowers will be discouraged.
- vi. From the analysis it was found that interest receivable trend was increasing every year. To improve the situation the bank should make its borrowers aware of the interest payable by them. Expect it, there should be proper and timely investigation and inspection by the bank officials.
- vii. From the study it was found that overdue trend was increasing every year except in the FY2066/2067. Generally this problem arises when the disbursement is not effective. To minimize this overdue problem the bank has to keep regular contacts with the borrower.
- viii. Study shows that doubtful debts is increasing rapidly. If doubtful debts is increased day by day, this is not good aspect for the bank. So to solve this problem bank should enhance the quality of loan, decrease the non-performing assets & increase the collection of loan.

- ix. Study shows that there was a high degree of positive correlation between overdue and doubtful debts as well as expenditure and doubtful debts at significant level. So to reduce the doubtful debts, overdue should be decreased and on the other side to decrease the expenditure there is a need to decrease doubtful debts.
- x. While analyzing correlation between profit and interest income, it was found that there was also a high degree of positive correlation between them. So there is a need to increase interest income by increasing interest collection, reducing interest receivable and overdue of this bank ADBL of this district.
- xi. Due to lack of education people are not conscious and on the other side they are lacking technical skill. So before disabusing loan there is a need of detail analysis of the project work. Borrower's need technical advice but they can't ask for it. So in this regard employees of the bank should be more conscious and they should possess such technical skills to suggest and guide the borrowers. For that the bank should give required training to the employees.
- xii. For effective disbursement and collection there should be a lot of interaction between bank and borrowers for transparency. Inspirations plays a vital role for the effective utilization of loan. So bank should continue to distribute 'Green card' to the good borrowers.
- xiii. To increase the revenue bank should try to reduce unproductive expenses. Employees are the people who contribute in the overall financial development of the bank. So they should be encouraged for their commitment and a team spirit should be developed among them.
- xiv. Some field offices are not reestablished which were under problem due to past conflict. The reestablishment of such offices is important.
- xv. The officinal skill development through seminar, review meeting, orientation and training are important to enhance their servicing capacity.
- xvi. The bank should be capable to provide service like provision of banking facilities for remittance, this bank is being not success to provide these above facilities too, which is important for Bank development.

- xvii. In this modern technology bank should have the facility for providing ATM, debit card, credit card facilities to the customers but these facilities are also not being possible through this bank.
- xviii. This bank is unable to use the knowledge of new information technology because of which practical difficulties are present in performing different activities.
- xix. Field office working areas are mostly remote so to perform the activates, it is also very difficult with frequent supervision / monitoring visit from head office. For this kind of problem, staff sufficiency in number is important.

Bibliography

Amatya, Ashok Bahadur (1998), “ **Institutional Agriculture Financing in Nepal** “, Unpublished M.A ,Dissertaitn submitted the Economics Department ,T.U. Kritpur.

Chand, Ganesh Bahaduer (1988),” **Loan Disbursement and Repayment of ADBL** ”, Unpublished Master’s Dissertation submitted to Economic Department , T.U. Kritpur.

Dahal, Rudra Prashad, (1999),” **Agriculture Department Bank: Today and Tomorrow**”, Bank Samachar ,Monthly Publication of ADB/N, 1998 Magh.

Khanal , Gorakha (1983),”**Agricultural Credit by ADB/N**” 1983, Unpublished M.A. thesis submitted to Economic Department T.U. Kritipur .

Mver, John N. (1974),“ **Financial Statement Analysis** “, Prentice Hall of India, private Limited , New Delhi .

Pandey, I.M. ,(1979) “**Financial Management** “, Vikash publishing House Pvt Ltd, p.500

Regmi, Madan Kumar (1993)“**Role of Institutional Credit in Financing Nepalese Agriculture .**”,Unpublished M.A. These submitted to Economic Department , T.U. Kritpur .

Regmi, Yogendra (2007),” **Factors affecting Profitability of the Bank** “ Bank Samachar, Marg 2007, Monthly Publication of ADB/N.

Satyal, Jaya (1985),“ **Performance Evaluation of Agriculture Development Bank of Nepal** “, Unpublished M.A Thesis submitted to Economic Department , T.U. Kritpur .

Shah, Devendra Pratap (2000)” **For the Continuity of Reform Program**” Bank Samachar , Monthly Publication ADBL Sept 7, 2000.

Shah, Siddhi Bahadur (1985),” **Performance and Evaluation of ADBL** “ Unpublished M.A. Thesis submitted to Economic Departmant , T.U. Kritpur.

Sharma, shiv & Mr. Ram Kurma Sharma (2003),” **Review of Macro Economic Environment for Agriculture Growth** ”, Bi-annual Journal Monthly Publication of ADB/N, CTL, Vol.36, July 2003.

Sherstha Dhurba Kumar (2006),” **Financial Position of the ADB/N**”, Unpublished M.A. Thesis submitted to economic Department T.U. Kritpur.

Sherstha, Jayanti (1989) ,“ **A study on the Impact of ADB on Agricultural Development of Nepal .**” Unpublished Master’s dissertation submitted to Economic Department , T.U. Kritpur.

Shrestha Manohar Krishna (2005),“ **Commercial Banks Comparative Performance Evaluation**”.

Shrestha Sagar (1994),“ **A Study on Disbursement and Collection Pattern of SFDP-ADBL** “ Master’s Dissertation submitted to Department of Management , T.U. Kritpur.

Subadi, Badri Raj (2004), “ **Message Delivered by ADB/N Statistical Figure** “, Bank Samachar, 2004, Magh, Monthly Publication of ADB/N.

Suvedi, Dev Hari (2005)” **Revenue and Expenditure of Agriculture Development Bank,**” A Dissertation submitted to Instruction of Humanities and social Science.

Wilox & G. San Migual (1994)” **Introduction to Financial Accounting** “ Hoper and Row , New york –, p.18

Publication

-**Agricultural Credit Bio Annual Journal Monthly Publication of ADBL.** Central Training Institute , Kathmandu . Vol 36 , july 2003 page no. 6

- **Kothari , C.R. Research Methodology , Methods & Techniques** , Wishwa Prakashan, A division of New Age International Pvt , Ltd. New Delhi , 2nd Edition .

Web Sites

www.adbl.gov.np

www.business.com

www.Google.com

www.nrb.org.np

Appendix

Working area of ADBL in Kanchanpur District

Although in this study the compiled data are used for the study even then by the help of following detail list the researcher wants to make clear about the working areas of ADBL in different part of the district .

Working area of ADBL branch offices of Kanchanpur

- Mahendranagar, 1 municipality
- Suda 4
- Belauri 9
- Dodhara Chadani 2
- Attariya
- Banking

Appendix I

**The detail of Regional offices of Agriculture Development Bank Limited Dhangadhi
Agriculture Development Bank Limited Regional Office, Dhangadhi**

S.no	Zone	District	Office
1	Seti	Kailali	Regional office Dhangadhi
2			Branch office Dhangadhi
3			Branch office Bhajani
4			Branch office Tikapur
5			Branch office Hasuliya
6			Sub-Branch office Sukhkhad
7			Banking Dhangadhi
8			Regional Training Center Dhangadhi
9		Doti	Sub-branch Office Silgadhi
10			Sub-branch Office Budar
11		Achaam	Sub-branch Office Mangalsen
12			Sub-branch Office Saphebagar
13		Bajhan	Sub-branch Office Bajhan
14		Bajura	Sub-branch Office Bajura
15	Mahakali	Kanchanpur	Branch office Mahendranagar
16			Branch office shreepur Belauri
17			Sub-branch Office krisnapur
18			Sub-office Dodhara Chhadani
19			Banking Mahendranagar
20		Baitadi	Sub-branch Office Baitadi
21			Sub-branch Office Patan
22		Dadeldhura	Sub-branch Office Dadeldhura
23		Darchula	Sub-branch Office Darchula

Appendix II
Overall Disbursement of loan

Fiscal year	Amount (Rs in '000)	Percentage
2061/2062	141233	21.15426
2062/2063	131671	19.72203
2063/2064	133567	20.00602
2064/2065	129215	19.35417
2065/2066	131948	19.76352
Total	667634	100

Appendix III
Disbursement in Cereal crops .

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	10559	68.83
2	2062/2063	4781	31.17
Total		15340	100

Appendix IV
Disbursement in Cash crops .

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	10578	58.14
2	2062/2063	7616	41.86
Total		18194	

Appendix V
Disbursement in Irrigation .

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	300	71.43
2	2062/2063	120	28.57
Total		420	

Appendix VI
Disbursement in Biogas

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	1436	74.17
2	2062/2063	503	25.94
Total		1939	100

Appendix VII
Disbursement in Agriculture and domestic Industry .

S.N	Fiscal year	Amount (Rs in '000)
1	2061/2062	5723
2	2062/2063	39235
Total		44958

Appendix VIII
Disbursement in Agriculture business

S.N	Fiscal year	Amount (Rs in '000)
1	2061/2062	20286
2	2062/2063	13946
Total		34232

Appendix IX
Disbursement in Horticulture

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	2071	85.02
2	2062/2063	365	14.98
Total		2436	100

Appendix X
Disbursement in Non-agriculture Business Loan .

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	70723	29.17
2	2062/2063	36235	14.94
3	2063/2064	43673	18.01
4	2064/2065	62547	25.79
5	2065/2066	29307	12.09
Total		242485	

Appendix XI
Disbursement in Agriculture .

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2063/2064	24699	48.21
2	2064/2065	13951	27.23
3	2065/2066	12577	24.55
Total		51227	100

**Appendix XII
Disbursement in Production .**

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2063/2064	2342	7.26
2	2064/2065	1065	3.31
3	2065/2066	28709	89.39
Total		32116	100

**Appendix XIII
Disbursement in Agriculture Tools**

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	2481	55.38
2	2062/2063	1633	36.45
3	2063/2064	255	5.69
4	2064/2065	85	1.89
5	2065/2066	26	0.58
Total		4480	100

**Appendix XIV
Total Loan collection of the Bank**

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	113563	16.53796
2	2062/2063	116364	16.94586
3	2063/2064	135977	19.80206
4	2064/2065	141136	20.55336
5	2065/2066	179641	26.16076
6	Total	686681	100

**Appendix XV
Collection of Interest**

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	34138	15.65899
2	2062/2063	31875	14.62096
3	2063/2064	39233	17.99605
4	2064/2065	56454	25.89526
5	2065/2066	56309	25.82875
Total		218009	100

**Appendix XVI
Out standing Loan of Bank**

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	305624	20.23219
2	2062/2063	320931	21.24551
3	2063/2064	318521	21.08596
4	2064/2065	306600	20.2968
5	2065/2066	258907	17.13954
	Total	1510583	100

**Appendix XVII
Interest Receivable of the Bank**

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	41635	16.33809
2	2062/2063	57537	22.57823
3	2063/2064	68627	26.93008
4	2064/2065	53546	21.01211
5	2065/2066	33489	13.1415
	Total	254834	100

**Appendix XVIII
Overdue loan of the Bank**

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	48780	12.11639
2	2062/2063	89989	22.35224
3	2063/2064	117002	29.06196
4	2064/2065	81121	20.14953
5	2065/2066	65703	16.31987

**Appendix XIX
Total Revenue and Total Expenditure**

S.N	Fiscal year	Amount of revenue (Rs in '000)	Percentage of revenue	Amount of expenditure	Percentage of expenditure
1	2061/2062	39149	11.25566	6138	6.854424
2	2062/2063	23618	6.790372	3205	3.579086
3	2063/2064	17677	5.082285	10014	11.18283
4	2064/2065	82947	23.84795	36696	40.97914
5	2065/2066	184425	53.02373	33495	37.40452

Appendix XX
Income from Interest on Loan

S.N	Fiscal year	Amount (Rs in '000)
1	2061/2062	14308
2	2062/2063	19830
3	2063/2064	17331
4	2064/2065	33444
5	2065/2066	291989
	Total	

Appendix XXI
Other Income of the Bank

S.N	Fiscal year	Amount (Rs in '000)
1	2061/2062	24841
2	2062/2063	3788
3	2063/2064	346
4	2064/2065	49503

Appendix XXII
Expenditure on Employees

S.N	Fiscal year	Amount (Rs in '000)
1	2061/2062	1581
2	2062/2063	1640
3	2063/2064	1874
4	2064/2065	4290
5	2065/2066	4933

Appendix XXIII
Expenditure on Office

S.N	Fiscal year	Amount (Rs in '000)
1	2061/2062	152
2	2062/2063	266
3	2063/2064	257
4	2064/2065	735
5	2065/2066	803

Appendix XXIV
Discount on Interest (Rebate)

S.N	Fiscal year	Amount (Rs in '000)
1	2061/2062	569
2	2062/2063	1144
3	2063/2064	1473
4	2064/2065	4944
5	2065/2066	297

Appendix XXV
Expenditure on Doubtful Debts

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	3817	6.022
2	2062/2063	-	-
3	2063/2064	6187	9.76
4	2064/2065	26691	42.109
5	2065/2066	26691	42.109
	Total	63386	100

Appendix XXVI
Expenditure on other Expense of the bank

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	19	1.578073
2	2062/2063	155	12.87375
3	2063/2064	223	18.52159
4	2064/2065	36	2.990033
5	2065/2066	771	64.03654

Appendix XXVII
Profit and loss of the bank

S.N	Fiscal year	Amount (Rs in '000)	Percentage
1	2061/2062	8621	8.707289
2	2062/2063	20413	20.61732
3	2063/2064	2753	2.780555
4	2064/2065	15869	16.02784
5	2065/2066	51353	51.867
	Total	99009	100

Appendix XXVIII
Revenue , cost and P /L of the bank

S.N	FY	Revenue	Cost	Net P\L
1	2061/2062	39149	30528	8621
2	2062/2063	23618	3205	20413
3	2063/2064	17677	14924	2753
4	2064/2065	82947	67078	15869
5	2065/2066	184425	133072	51353

Appendix XXIX
Interest Income to Total Income Ratio

S.N	Fiscal year	Interest Income (Rs in '000)	Total Income (Rs in '000)	Ratio=Int. Income /Total Income (in%)
1	2061/2062	14308	39149	36.54755
2	2062/2063	19830	23618	83.96139
3	2063/2064	17331	17677	98.04265
4	2064/2065	33444	82947	40.31972
5	2065/2066	291989	184425	158.324
	Total			

Appendix XXX
Other Income to Total Income Ratio

S.N	Fiscal year	Other Income (Rs in '000)	Total Income (Rs in '000)	Ratio=Other Income /Total Income (in%)
1	2061/2062	24841	39149	63.45245
2	2062/2063	3788	23618	16.03861
3	2063/2064	346	17677	1.957346
4	2064/2065	49503	82947	59.68028
5	2065/2066	-107564	184425	-58.324
	Total			

Appendix XXXI**Employee expenses to Total Income Ratio**

S.N	Fiscal year	Employee expenses (Rs in '000)	Total Income (Rs in '000)	Ratio= Employee expenses /Total Income (in%)
1	2061/2062	1581	39149	4.038417
2	2062/2063	1640	23618	6.943856
3	2063/2064	1874	17677	10.60135
4	2064/2065	4290	82947	5.171977
5	2065/2066	4933	184425	2.6748

Appendix XXXII**Office expenses to Total Income Ratio**

S.N	Fiscal year	Office expenses (Rs in '000)	Total Income (Rs in '000)	Ratio= Office expenses /Total Income (in%)
1	2061/2062	152	39149	0.38826
2	2062/2063	266	23618	1.12626
3	2063/2064	257	17677	1.453867
4	2064/2065	735	82947	0.886108
5	2065/2066	803	184425	0.435407
	Total			

Appendix XXXIII**Discount on Interest to Total Income Ratio**

S.N	Fiscal year	Discount on Interest (Rs in '000)	Total Income (Rs in '000)	Ratio= Discount on Interest /Total Income (in%)
1	2061/2062	569	39149	1.453422
2	2062/2063	1144	23618	4.843763
3	2063/2064	1473	17677	8.332862
4	2064/2065	4944	82947	5.960433
5	2065/2066	297	184425	0.161041
	Total			

Appendix XXXIV

Doubtful debt to Total Income Ratio

S.N	Fiscal year	Doubtful debt (Rs in '000)	Total Income (Rs in '000)	Ratio= Doubtful debt /Total Income (in%)
1	2061/2062	3817	39149	9.74993
2	2062/2063	0	23618	0
3	2063/2064	6187	17677	35.00028
4	2064/2065	26691	82947	32.17838
5	2065/2066	26691	184425	14.47255

Appendix XXXV

Other expenses to Total Income Ratio

Fiscal year	Other Exp. (Rs in '000)	Total Income (Rs in '000)	Ratio= Other Exp. /Total Income (in%)
2061/2062	19	39149	0.048533
2062/2063	155	23618	0.656279
2063/2064	223	17677	1.261526
2064/2065	36	82947	0.043401
2065/2066	771	184425	0.418056
Total			

Appendix XXXVI

Different Expenses to Total Income Ratio (in %)

Fiscal year	Employee Exp. to Total Income	Office Exp. To Total Income	Discount on Interest to Total Income	Doubtful Debts to Total Income	Other Expenses to Total Income
2061/2062	4.038417	0.38826	1.453422	9.74993	0.048533
2062/2063	6.943856	1.12626	4.843763	0	0.656279
2063/2064	10.60135	1.453867	8.332862	35.00028	1.261526
2064/2065	5.171977	0.886108	5.960433	32.17838	0.043401
2065/2066	2.6748	0.435407	0.161041	14.47255	0.418056

Appendix XXXVII
Net Profit to Total Assets Ratio

FY	Net Profit (Rs. In '000)	Total Assets (Rs. In '000)	Ratio (in %)
2061/2062	8621	352454	2.446
2062/2063	20413	363331	5.618
2063/2064	2753	406407	0.677
2064/2065	15869	456417	3.477
2065/2066	51353	401660	12.79

Appendix XXXVIII
Cash & Bank Balance to Total Assets Ratio

FY	(Rs. In '000)	Total Assets (Rs. In '000)	Ratio (in %)
2061/2062	1684	352454	0.478
2062/2063	735	363331	0.202
2063/2064	3199	406407	0.787
2064/2065	498	456417	0.109
2065/2066	1544	401660	0.384

Appendix XXXIX
Fixed & Other Assets to Total Assets Ratio

FY	Fixed & Other Assets (Rs. In '000)	Total Assets (Rs. In '000)	Ratio (in %)
2061/2062	944	352454	0.268
2062/2063	977	363331	0.269
2063/2064	819	406407	0.202
2064/2065	4149	456417	0.909
2065/2066	1167	401660	0.291

Appendix XXXX
Outstanding loan to Total Assets Ratio

FY	Outstanding loan (Rs. In '000)	Total Assets (Rs. In '000)	Ratio (in %)
2061/2062	305624	352454	0.2678
2062/2063	320931	363331	0.2689
2063/2064	318521	406407	0.2015
2064/2065	306600	456417	0.909
2065/2066	258907	401660	0.2905

Appendix XXXXI

Total Assets Ratio

FY	Net Profit to Total Assets (in %)	Cash & Bank Balance to Total Assets (in %)	Fixed & other Assets to Total Assets (in %)	Outstanding loan to Total Assets (in %)
2061/2062	2.446	0.478	0.268	0.2678
2062/2063	5.618	0.202	0.269	0.2689
2063/2064	0.677	0.787	0.202	0.2015
2064/2065	3.477	0.109	0.909	0.909

Appendix XXXXII

Non-performing Assets of the Bank

FY	Amount of Non-performing Assets (Rs in '000)	% of Non –Performing
2061/2062	23104	12.28
2062/2063	23212	12.339
2063/2064	39335	20.910
2064/2065	40572	21.568
2065/2066	61886	32.89
Total	188109	100

Appendix XXXXIII

Trend Analysis of Loan disbursement (in Rs.'000)

FY	Loan disbursement Y	Year X	XY	X²	Trend Values
2061/2062	141233	-2	-282466	4	137732
2062/2063	131671	-1	-131671	1	135629.4
2063/2064	133567	0	0	0	133526.8
2064/2065	129215	1	129215	1	131424.2
2065/2066	131948	2	263896	4	129321.6
N=5	Y = 667634	X=0	XY = 21026	X = 10	

Appendix XXXXIV
Trend of Loan Collection (Rs. In '000)

FY	Collection of Loan Y	Year X	XY	X²	Trend Values
2061/2062	113563	-2	-227126	4	105950.6
2062/2063	116364	-1	-116364	1	121643.4
2063/2064	135977	0	0	0	137336.2
2064/2065	141136	1	141136	1	153029
2065/2066	179641	2	359282	4	184414.6
N=5	Y=686681	X=0	XY = 156928	X = 10	

Appendix XXXXV
Trend analysis of Interest Collection (in Rs. '000)

FY	Interest Collection Y	Year X	XY	X²	Trend Values
2061/2062	34138	-2	-68276	4	30617.6
2062/2063	31875	-1	-31875	1	371409.7
2063/2064	39233	0	0	0	43601.8
2064/2065	56454	1	56454	1	50093.9
2065/2066	56309	2	112618	4	56586
N=5	Y=218009	X=0	XY =68921	X = 10	

Appendix XXXXVI
Trend Analysis of loan Outstanding (in Rs. '000)

FY	Loan outstanding	Year X	XY	X²	Trend Values
2061/2062	305624	-2	-611248	4	304271.9
2062/2063	320931	-1	-320931	1	3031943
2063/2064	318521	0	0	0	2021166
2064/2065	306600	1	306600	1	3010390
2065/2066	258907	2	517814	4	2999614
N=5	Y=1510583	X=0	XY =-107765	X = 10	

Appendix XXXXVII

Trend Analysis of Overdue Loan (in Rs.'000)

FY	Overdue Loan Y	Year X	XY	X²	Trend Values
2061/2062	48780	-2	-97560	4	75523.4
2062/2063	89989	-1	-89989	1	78021.2
2063/2064	117002	0	0	0	80519
2064/2065	81121	1	81121	1	83016.8
2065/2066	65703	2	131406	4	85514.6
N=5	Y=402595	X=0	XY = 24978	X = 10	

Appendix XXXXVIII

Trend Analysis of Interest Receivable (Rs. in '000)

FY	Interest Receivable Y	Year X	XY	X²	Trend Values
2061/2062	41635	-2	-83270	4	46910.2
2062/2063	57537	-1	-57537	1	48938.5
2063/2064	68627	0	0	0	50966.8
2064/2065	53546	1	53546	1	52995.1
2065/2066	33489	2	66978	4	55023.4
N=5	Y=254834	X=0	XY = -20283	X = 10	

Appendix XXXXII

Correlation between Overdue and Doubtful Debts (Rs. In '0,00,0000)

FY	Overdue (X)	Doubtful Debt (Y)	XY	X²	Y²
2061/2062	48.78	3.82	2379.5	2379.5	14.5924
2062/2063	89.989	0	8098	8098	0
2063/2064	11.7	6.187	136.89	136.89	38.27897
2064/2065	81.121	26.691	6580.6	6580.6	712.4095
2065/2066	65.7	26.691	4316.5	4316.5	712.4095
	x =297.29	y =63.389	XY =21512	X ² =21512	Y ² =1477.66

Appendix XXXIX

Correlation between Profit and interest income (Rs. In '0,00,0000)

FY	Profit X	Interest Income Y	XY	X²	Y²
2061/2062	8.621	14.308	123.35	74.322	204.7189
2062/2063	20.413	19.83	404.79	416.69	393.2289
2063/2064	2.753	17.331	47.712	7.579	300.3636
2064/2065	15.869	33.444	530.72	251.83	1118.501
2065/2066	51.353	29.1989	1499.5	2637.1	852.5758
	X = 99.009	y =114.1119	XY =2606	X ² =3387.5	Y ² =2869.388

Appendix XXXXX

Correlation between Expenditure and Doubtful Debts (Rs. In '0,00,0000)

FY	Expenditure X	Doubtful Debts Y	XY	X²	Y²
2061/2062	6.238	3.82	23.829	38.913	14.5924
2062/2063	3.205	0	0	10.272	0
2063/2064	10.014	6.187	61.957	100.28	38.27897
2064/2065	36.696	26.691	979.45	1346.6	712.4095
2065/2066	33.495	26.691	894.02	1121.9	712.4095
	x =89.648	y =63.389	XY =1959.3	X ² =2618	Y ² =1477.69