

**COMPARATIVE STUDY ON INTEREST SUBSIDY LOAN OF ONE BRANCH EACH  
OF ADBL & RBB, NEPAL**

BY

**JANARDAN SHARMA**

**5509**

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## EXECUTIVE SUMMARY

**Title:** Comparative study on interest subsidy loan of one branch each of ADBL and RBB, Nepal.

**Faculty Guide:** Dr. Sagar Wadkar

**Participants Name:** Janardan Sharma (5509)

The main objective of the dissertation is to compare based on the interest subsidy loan status of the two branch offices working in the same area. Another motive of the dissertation is to examine the views of beneficiaries of interest subsidy loans towards interest subsidy policy and its implementation. This study will be beneficial for branch managers for devising the appropriate branch office policy tools and actions to provide interest subsidy loans.

The research design of the study is descriptive research. The researcher has collected data from both primary and secondary sources. The secondary data has been collected from the respective bank website, branch offices and Nepal Rastra Bank website. The primary data is collected through a well-designed questionnaire from professional agriculture and livestock loan beneficiaries. The sample size that has been taken for primary data collection is 64 (20 from RBB Kawasoti and 44 from the ADBL Kawasoti branch). The statistical tool used for the analysis is summation and percentage rate. The researcher found that the concessional loan status of whole Nepal is quite centric in two subproducts(women entrepreneurs and professional agricultural and livestock loans). In selected branches, there is no interest overdue and principal overdue of the concessional loan in both branch offices.

Majority of respondents thoughts that concessional loan policy is needed some improvement. All respondents agreed that they need support on technical and marketing parts. And most of the respondents are not want to give subsidies to other industries. They said first of all government has to focus on agricultural sector subsidy. Out of 53, 38 respondents agree that documentation part of concessional should be easy. And 39 respondents want less timing duration from loan application to loan sanction period.

## Chapter I

### 1. Introduction of the study

Nepal is a country with a majority of youth. The number of youths between 16 and 40 years is 40.35 % of the total population (census, 2011). Youth is the force that can change society, accelerate development and promote economic activity. If the youth power is not used properly and promptly, the great wealth of the state will be wasted. Nepal is suffering a heavy loss because of not have been able to make proper use of youthful energy. The economic growth, development, and prosperity of the country is only possible through the proper utilization of human resources. The emigration of these young people is an obstacle to development and economic growth.

Interest subsidy loan policies are commonly applied by governments around the world. These programs, however, are often targeted at particular demographics or business sectors (e.g. subsidies for farmers, students or small businesses, women entrepreneurs). When providing the subsidy, generally, the government establishes a fund to provide credit to recipients with lower interest rates than the prevailing market rate. Such schemes have been quite common globally and are frequently applied by governments to target youth, particular social groups or business industries, often as a means of transfer to disadvantaged groups.

#### 1.1 Problem of the study

Nepal Rastra Bank has implemented the unified working procedures related to interest subsidy for concessional loan -2018 to help the prosperous Nepal happy Nepali. This program has been implemented with the great objective that it will help in raising the living standards of all the people through production, employment, income, and economic growth in the overall economic sector. But it will not be effective if banks and financial institutions do not implement it well. Since the bank and financial institutions are not lending loans under these procedures, Nepal Rastra Bank brings further circulars to all banks and financial institutions to provide such types of credit facilities. Further NRB forced commercial banks and development banks compulsory to provide such types of credit minimum 10 and 5 customers respectively. We all know that bringing policy could not make any change if they are not well implemented.

Considering the above in mind, the following problems are identified which are to be researched:

- a. Is the interest subsidy loan status of selected branch offices are significant as NRBs objective?
- b. Which branch offices' interest subsidy loan growth and recovery status are better?
- c. Is the interest subsidy loan to selected customers are well utilized?

## 1.2 Scope and significance

Nepal is an agricultural-based country. As an agricultural-based country, instead of being sustained and exporting the agro product importing rate of agro products are going higher every year. The unified working procedure related to interest subsidy for concessional loan policy of NRB covers all types of agricultural farming and agro products processing industries and farms. This policy also covers women entrepreneurs, the youth who returned from foreign employment, marginalized community, and clothing industries too.

On the one hand, NRB brings the policy to provide subsidy on the lower interest rate and empower these industries/firms and on the other hand, banks and financial institutions' duty is to implement this policy. In such a context, this study is focusing on one branch each of Agricultural Development Bank Ltd (ADBL) and Rashtriya Banijya Bank Ltd (RBB) located in Kawasoti, Nawalparasi district of Nepal. A comparison has been made on the interest subsidy loan status of both branch offices. Further utilization and impact of interest subsidy loans have been studied on selected professional agricultural and livestock loan customers. This study may be beneficial for managers too for devising the appropriate branch office policy tools and actions to provide interest subsidy loans and to achieve the goals. Apart from the above, this study will be a matter of interest for academicians, students, and practitioners.

## 1.3 Brief review of study

A brief review of the study includes the review of concepts and findings of previous research on the same field. Books, journals, articles are reviewed for this purpose. In this regard, recently published books especially related to this topic, some of the major research-based journals and the related studies are reviewed. There are limited books and research work about the topic and we do not have sufficient required journals and relevant books.

### 1.3.1 Review of Interest subsidy for concessional loan procedures 2018:

Nepal Rastra Bank (NRB) has unveiled a unified working procedure related to interest subsidy for concessional loans, paving the way for the agricultural sector, unemployed educated youths, returnee migrant workers, women entrepreneurs, dalits, and earthquake victims, among other targeted groups, to borrow money from the bank and financial institutions at cheaper interest rates. There are 10 different Interest subsidy schemes under the unified working procedure for concessional loan 2018. It is mentioned in Table 1.



Table 1 : Interest Subsidy Loan Sub Products Detail

S.N.	Name of Product/Types	Maximum Limit	Subsidy
1.	Professional Agricultural and Livestock Loan	50,000,000	5 %
2.	Educated Youth Self-employment Loan	700,000	5 %
3.	Foreign Returned Youth Project Loan	1,000,000	5 %
4.	Women Entrepreneurship Loan	1,500,000	6 %
5.	Marginalized Community Business Development Loan	1,000,000	5 %
6.	Higher and Technical Education Loan	500,000	5 %
7.	Earthquake Victim People Personal Home Loan	300,000	5 %
8.	Clothing Industry Loan	50,000,000	5 %
9.	Professional and Vocational Training Loan	200,000	5 %
10.	Youth self Employment Loan	500,000	5 %

*Source: unified working procedure for concessional loan 2018*

Under this procedure, the bank will have to keep the loan at a premium rate of 2 percent in addition to its published base rate; while on the other hand, it will be able to get a grant of 5 percent from the Government of Nepal. There is an arrangement to provide a 6 percent grant for women's entrepreneurial loans. For these loans, interest subsidies can be availed for up to five years. Under this procedure, only those Nepalese citizens who are not black listed in credit information center report as well having PAN card can eligible to get the facility.

#### Professional Agricultural and Livestock Loan:

- Customers can get this loan up to one million based on personal guarantee of family members and credit facility more than one million to fifty million by giving collateral of project itself.
- Insurance of project is compulsory.
- Natural person having age more than 18 can get this loan up to one million. But for more than one million, it is necessary to register as a firm or company. To get a loan of more than 10 million, it is mandatory to register as a limited company.
- Detail business plan is necessary for a loan of more than one million and a simple business plan is needed for less than one million loans.

#### Educated Youth Self-employment Loan

- BFIs can take the original certificate of education for collateral of this loan.
- Minimum having graduate degree and age not more than 40 years.

- Having a minimum of 7 days of training in the related field is required. In case of not already having training, customers have to get training after getting a loan.
- Simple business plan for project operation is needed.
- Insurance of project is compulsory and insurance of loan from Deposit and Credit Guarantee Fund Nepal.

#### Foreign Returned Youth Project Loan

- Youth returned from foreign can get a loan to do business; related to their knowledge, skills, and experience with collateral of the project itself.
- Simple business plan for project operation is needed.
- Only returned people after working for at least 6 months in any country with or without obtaining a labor permit are eligible for this loan.

#### Women Entrepreneurs Loan:

- Collateral is not needed in women entrepreneurship loans; this loan can be given with a personal or group guarantee.
- Women aged more than 18 years and in case of the group, minimum 5 women group aged more than 18 years are eligible for this loan.
- Simple business plan for project operation is needed.
- Direct involvement of women in business is mandatory.

#### Marginalized Community Business Development Loan

- Marginalized community people aged more than 18 years and in case of a group, minimum 5 marginalized community people group are eligible for this loan.
- Simple business plan for project operation is needed.
- Collateral is not needed in this loan; this loan can be given with a personal or group guarantee.

#### Higher and Technical Education Loan

- Minimum secondary education completed youth and not exceeding 25 years is mandatory.
- Economically poor marginalized and focused group student.

#### Earthquake Victim People Personal Home Loan

- No institutional grants other than the Government of Nepal's private housing grants.
- No house to live in any place in the name of the customer or his/her family.

### Clothing Industry Loan

- Clothing industry has Nepalese citizen's ownership.
- Industry must have to register in VAT.
- When giving such interest subsidy, feasibility recommendation should be made based on the operating condition of the business, condition of resumption of operation in case of infirm industry, and business plan needed.

### Professional and Vocational Training Loan

- Document of admission in an institution recognized by the Council for Technical Education and Vocational Training is needed.

### Youth self Employment Loan

- Minimum secondary education completed youth.
- Having a minimum of 7 days of training in a related field is required.
- Simple business proposal for project operation is needed.
- Collateral is not needed in women entrepreneurship loans; this loan can be given with a personal or group guarantee.

### Provisions for Insurance:

Other than more than 1 million professional agricultural and livestock loans; all loans must have been insured from Deposit and Credit Guarantee Fund. BFIs only bear 50% of the insurance premium; the remaining 50% is born by Nepal Rastra Bank. It is compulsory to project insurance too. For project insurance, Other than more than 1 million professional agricultural and livestock loans; customers will have to bear 50% insurance premium, and the remaining 50% will give subsidy by Nepal Government through the insurance committee. In the case of project insurance of more than 1 million professional agricultural and livestock loans; customers themselves have to bear all insurance premiums.

### 1.3.2 Review of monetary policy 2021-22 related to concessional credit program

Nepal Rastra Bank brings monetary policy for FY 2021-22 in 2021 august 13. This policy is mainly focused on financial stabilization after the COVID situation.

Under the concessional credit program, which aims to enhance production, employment, and entrepreneurship through credit facilitation in agriculture and SMEs, among others, a total of Rs. 161.44 billion credit has been extended to 1,04,109 borrowers as of mid-July 2021. Of which,

Rs. 106.98 billion has been extended to 46,057 borrowers for selected agriculture and livestock businesses. Likewise, Rs. 50.98 billion concessional loans have been extended to 55,551 women entrepreneurs and Rs. 3.48 billion has been extended to 2,501 borrowers from other remaining sectors (monetary policy 2021-22).

To expand the productive economy through enhancing production, generating employment, and developing entrepreneurship, the concessional loan program will be implemented effectively as per the unified procedure of the Government of Nepal related to interest subsidies on concessional loans (monetary policy 2021-22).

### 1.3.3 Review of NRB unified directive 2021/22 related to concessional credit program

According to NRB unified directive no. 17, BFIs must have to lend 5% of total exposure to the deprived sector. And directive further mentioned that professional agricultural and livestock loans which are less than 1 million and lending on another scheme from concessional loan procedure can be calculated on deprived sector loan.

### 1.3.4 Review of study paper, research and articles

Geron and Casuga(2012) entitled credit subsidy in Philippine agriculture concludes that even in a policy environment that promotes the adoption of market-based interest rates in lending, credit subsidies are still inevitable. For as long as government funds are used for agriculture lending, unintended credit subsidies will be present. This comes in the form of default subsidies. The amount of subsidy can be huge especially if institutions through which government funds are channeled are not carefully assessed and evaluated. Or if these institutions are highly influenced by political pressure.

To avoid or minimize unintended credit subsidies (in the form of default subsidies), it is important to make sure that the conduits of government funds have the necessary competence, network as well as infrastructure to minimize defaults. Also, it is important that these institutions are appropriately supervised and monitored by an independent third party to ensure that the necessary systems and procedures for effective and efficient lending are in place. Government Financial Institutions like the Land Bank of the Philippines qualify for this.

Government may invest in support services that would make agriculture lending less risky. To encourage greater private sector participation in agriculture lending, there is a need to minimize inherent risks in agriculture. A study of the use of weather-based insurance index for minimizing risks in agriculture may have some merit. Subsidy in gathering the relevant weather-based information for actuarial purposes may be provided. For now, the cost of weather-based insurance seems costly but the government may want to look closely on how the cost may be reduced.

Popova, Korobeynikov, Korobeynikova, Shaldokhina and Zabaznova(2016) studied on concessional lending as a perspective tool of development of agribusiness.

The aim of the research is to find the solution to the problem of food security in non-food countries, i.e., countries in which conditions for agriculture are unfavorable. The researchers offer the hypothesis that solution to this problem requires development of agribusiness, a perspective tool of which is concessional lending. In the process of the research, in order to verify this hypothesis, the authors use the methods of modeling of socio-economic systems, as well as systemic, problem, institutional, and SWOT-analysis. As a result of the research, the authors come to the conclusion that the most important problem of development of agribusiness in non-food countries is lack and low accessibility of financial resources, which is caused by high seasonality of business, its low profitability, and, correspondingly, its low investment attractiveness. Concessional lending allows solving this problem and increasing the accessibility of financial resources for agro-enterprises, which gives them a possibility for modernization of equipment and technology of production, reduction of product cost, and increase of profitability and competitiveness.

Becvarova (2006) studied on utilization of subsidy in a program-directed support of agricultural loans. This paper is focused on the performance measurement of the Support and Guarantee Fund for Farmers and Forestry (SGFFF) as the main instrument of capital reinforcement of Czech agricultural enterprise development. Its principles as well as the function from the point of view of agricultural enterprises, restructuring and allocation of resources and the reason why the subsidies of the supported loans' interest rates have been employed are cleared up there. The results are discussed upon an analysis of the Fund's activity. According to them, it can be claimed that the Fund has become an important part of supports for the agricultural sector development in the last ten years. From the point of view of the criteria of supported loans allocation, it was ascertained that the level of support has not been derived from the different natural and soil qualities primarily. The economic results and a high level of the prosperity have been evaluated as the main criteria for the decision-making system regarding an effective restructuring of agriculture and improving its competitiveness.

Hui and Tingting(2021) entitled Research on subsidy mechanism in the government-led agricultural supply chain finance. This paper mainly includes three aspects: operation and management under uncertain output, agricultural supply chain finance, and agricultural supply chain under the guidance of government.

This paper mainly analyzes the financial model of agricultural supply chain under the government subsidy. First of all, under government subsidy the higher the normal production probability and random output factor, the higher the production input of farmer and the lower the price of agricultural products purchased by company, The higher the probability of normal production and the lower the loan interest rate, the higher the probability of normal production and the lower the stochastic output factor, the higher the profit of farmer and company, and the

higher the probability of normal production and the stochastic output factor, the higher the profit of bank and social welfare.

Secondly, in the case of government subsidy, high interest subsidy rate will increase the production input of farmer and reduce the price of agricultural products purchased by company. High loan interest subsidy rate is beneficial to farmer, company, bank and social welfare. Low bank loan interest rate will improve social welfare.

Based on the financial model of agricultural supply chain with government subsidy, this paper provides the following enlightenment for farmer and enterprises:

First, all participants in the agricultural supply chain should pay attention to the probability and random output factors of normal production. Secondly, we should pay attention to the differences between government subsidy, correctly treat the government led risk management mechanism, set reasonable and appropriate loan interest subsidy rate.

#### 1.4 Objectives of the study

The specific objectives of the study are as follows:

- To analyze product-wise interest subsidy loan outstanding and its yearly growth rate of ADBL Kawasoti branch and RBB Kawasoti branch during the recent 3 years.
- To study the recovery status of interest subsidy loans of both branch offices.
- To study the effectiveness of interest subsidy loans on beneficiaries.

#### 1.5 Limitations of the study

The specific objectives of the study are as follows:

- Time constraints
- This study is only focused on Kawasoti branch of RBB and ADBL.
- This study only analyzed past three years data of concessional loan of selected branch office.

#### 1.6 Research design

Research design is descriptive research. In the descriptive researcher analyses the present situation of the any problem. Here the researcher was done the comparative analysis of interest subsidy loan and its effectiveness to the beneficiaries.

##### 1.6.1 Area of research

Branch office Kawasoti of Agricultural Development Bank Ltd. and Rastriya Banijya Bank Ltd. Nepal.

### 1.6.2 Sample technique

Here the researcher is using the simple random sampling techniques to select professional agriculture and livestock loan costumers from both branch offices.

### 1.6.3 Sample size

Sample size taken for primary data collection is 64 (20 from RBB Kawasoti and 44 from ADBL Kawasoti branch).

### 1.6.4 Source of data

Both the primary data and the secondary data are taken into account for the purpose of the study. Secondary data is collected from respective bank website, respective branch offices and from Nepal Rastra Bank website. The primary data is collected through a well designed questionnaire from professional agriculture and livestock loan beneficiaries (See Annexure 1).

### 1.6.5 Data analysis

The statistical tool used for analysis of data is summation and percentage rate. The collected data have been suitably arranged in table for the purpose of effective analysis and interpretation.

## 1.7 Chapter Plan

### Chapter I

Introduction and design of the study is in this chapter. Problem of study, scope and significance of the study, brief review of the study, objectives of the study and research design and chapter plan is in this chapter.

### Chapter – II

This chapter is about profile of the study unit. Profile of Agricultural Development Bank Ltd. Kawasoti branch and Rastriya Banijya Bank Kawasoti branch is this chapter.

### Chapter -III

Analysis and interpretations of the data relating to objectives of the research is in this chapter.

### Chapter -IV

Summary of findings and conclusion of the research is in this chapter.

## Chapter II

### 2. Profile of the study unit

#### 2.1 Agricultural Development Bank Limited, Nepal

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

The bank worked as a premier rural credit institution since its establishment, contributing substantial agricultural credit supply in the country. Rural finance has been the principal operational area of ADBN in the past. However, the bank is also involved in commercial banking operations since 1984, to provide commercial banking services.

The bank has 51% share of Government of Nepal and 49% of general public. Most of its shareholders are customers and employees.

The enactment of Banks and Financial Institutions Act (BAFIA) took all the banks and financial institutions (BFIs) under its umbrella and abolished all the acts related to the BFIs including the ADBN Act, 1967. Since then, the bank has been working as a public limited company registered under the Companies Act, 2006 and is licensed as "A class financial institution" by Nepal Rastra Bank from 2006.

Having glorious history of more than 53 years, the bank is one of the leading commercial banks of the country. With its investment in agriculture, industry, trade, commerce and households, the bank has above 1.2 million happily satisfied customers.

Just like its slogan:

"Sampurna Banking Suvidha sahitko Tapai Hamro Ghar Aanganko Bank (The bank with complete banking solution at your own door step)"

It is spread all over the 7 provinces & 77 districts of the nation with its 278 branch offices. While providing comprehensive services with complete banking solution, the bank has main motto of promoting rural agriculture, productive and deprived sectors.



Vision:

"To be a Mass-based Complete Bank serving from Urban to Rural."

Mission:

"To deliver comprehensive banking solution strengthening its extensive network."

Objectives:

To provide quality banking services

To adopt market driven strategy

To obtain sustained and competitive return on investment.

#### 2.1.1 Branch Office Kawasoti of Agricultural Development Bank Ltd.

Agricultural Development Bank Ltd Kawasoti branch was established on July 1, 1976. The service area of this branch is two municipalities and rural municipalities. From the establishment, this branch was only working in lending activities. After 2005 this branch was established as a fully commercial banking branch. This branch office provides all commercial bank-related services like deposit collection, lending, account opening, mobile banking, internet banking, bank guarantee, internal and external remittance service, etc.

#### 2.2 Rastriya Banijya Bank Limited, Nepal

Rastriya Banijya Bank Limited (RBBL) has a history of serving its customers far and wide across the nation for more than half a century. The bank then fully owned by Government of Nepal, was established on 10 Magh 2022 (23 January 1966) under the special statute "Rastriya Banijya Bank Act, 2021" and had operated under "Commercial Bank Act,2031" until it was re-registered as public limited company on 6 Baishak 2063 (19 May 2006). At present, the Bank operates as "A" class financial institution licensed by Nepal Rastra Bank and carries out commercial banking activities as per the provisions of the "Bank and Financial institutions Act 2073," (2017).

RBBL endured many stressful years of business and faced existential questions at some point of time in the past. But learning the lessons from the events and craving towards the brighter future, the Bank successfully implemented a restructuring plan; and now it stands as one of the most preferred bank with the highest number of customers all 77 districts and 7 provinces of the country. The Bank has been able to imprint its presence in national economy through efficient

allocation of resources in all sectors of economy thereby enhancing production and generating employment opportunities within the country. The unflinching faith and goodwill bestowed by our customers continued support from the Government, well wishers and general public has been the reason for us to stand as the most trusted bank in the country.

Vision:

"The most credible bank for one and all, always contributing towards Nation's prosperity"

Mission:

"We strive to enhance the quality of life of all Nepalese by eliminating barriers to financial access and helping them achieve their full potential; and by ensuring safe, innovative and affordable financial services, through vast networks of efficient centers, socially responsible business processes and empathetic human resource"

Objectives:

Focus on providing innovative financial services.

Increase in capital base of the Bank by meeting the minimum capital requirement.

Business growth and increase in market share.

Enhance operational efficiency.

Sustainable increase in profits.

Focus on empowerment of deprived class.

### 2.2.1 Branch office Kawasoti of Rastriya Banijya Bank Ltd.

Rastriya Banijya Bank Ltd. Kawasoti branch was established on August 21, 1981. The service area of this branch is two municipalities and rural municipalities. From the establishment, this branch is operated as fully commercial banking activities. This Branch office provides all commercial bank-related services like deposit collection, lending, account opening, mobile banking, internet banking, bank guarantee, internal and external remittance service, etc.

### 2.3 Description about Kawasoti area

Kawasoti is a municipality in Nawalpur District, Gandaki Province, Nepal. It is 31 km (19 mi) west of Bharatpur and 85 km (53 mi) east of Butwal, approximately on the middle of Mahendra Highway. The Naryani River flows south of it, and the Mahabharat Range is north of it.

Kawasoti serves as administrative headquarter for Nawalpur district, locating all major government and administrative offices. With rapid increase in population and development of

infrastructures, this city is quickly emerging into a business, educational and health hub on the center of the East-West Highway. It is one of the beautiful city of Nawalpur district and is located at heart of the country. It is also known as a greenery city where 60% of land is occupied by the forests where people can get the fresh air and the bacteria-free water which is important stuff for the human beings.

Nowadays Kawasoti VDC is better known by its new identity, i.e. Kawasoti municipality. People from various castes and religions coexists in this city with majority of them Hindu and some Buddhists and other religions Christians, Muslims. More than 35 private and government schools and 3 colleges provide the education from kindergarten to the master's degree level, which are attended by students as far as 30-km far from the city. City also serves with many local hospitals and pharmacies for health facilities of residents. Kaligandaki, Madhyabindu, Kumari, NabaJeewan, Integrated, Patanjali (ayurvedic) and Nawalpur are the well serving hospitals of this Municipality. It has got well paved road networks, strong telecommunication service, well managed drinking water and drainage system and major sources for shopping and entertainment. In Kawasoti, police, as well as traffic police have been doing their extraordinary job all over the district Nawalpur.

People have been constantly migrating to this city from neighboring hilly regions and districts for last 30–40 years which was otherwise largely occupied by dense forests that lead to Chitwan National Park directly towards south of this city. According to the Website of the Kawasoti Municipality, The population of the Kawasoti Municipality is 62,421. Where male is 28,616 and female are 33,805. Total Household is 14,104 and total land area is 114 square Kilometer. Major occupation of this municipality is agriculture (57%), service (20%), business (15%) and industry (5%).

### Chapter III

#### 3. Analysis relating to objectives

##### 3.1 Overall branch office performance comparison

Comparison of two branch offices overall performance of July 15, 2021 (last fiscal year end) is in Table 2.

Table 2 : Overall Performance of ADBL Kawasoti and RBB Kawasoti

Amount in '000'				
S.N.	Description	ADBL Kawasoti	RBB Kawasoti	Remarks
1	Total Loan Outstanding	1022558	1800575	
2	Total Deposit	220847	1743258	
3	Non-Performing Loan	18004	13015	
4	Interest Overdue	2045	1350	
5	Depositors	5989	36000	
6	Loan Customers	912	2500	
7	ATM Card Customers	555	2605	
8	Internet Banking	161	101	
9	Mobile Banking	2954	15582	
10	Bank Guarantee Customers	13	15	
11	Total Employee	6	9	

*(Source: data collection from respective bank branch )*

Table 2 shows the overall performance data of the ADBL Kawasoti and RBB Kawasoti branch. In the data presented, we can see the overall performance of the RBB Kawasoti branch is higher than the ADBL Kawasoti branch. The loan outstanding and total deposit of RBB Kawasoti is far better than ADBL Kawasoti. As higher in loan outstanding of RBB Kawasoti, we can see non-performing loan and interest overdue is lower as compared to ADBL Kawasoti. It shows the quality lending of the RBB Kawasoti branch.

In terms of no. of depositors, loan customers, ATM card customers, mobile banking, and bank guarantee customers RBB Kawasoti is ahead of the ADBL Kawasoti branch. ADBL Kawasoti is only ahead of RBB Kawasoti in internet banking.

### 3.2 Concessional loan status

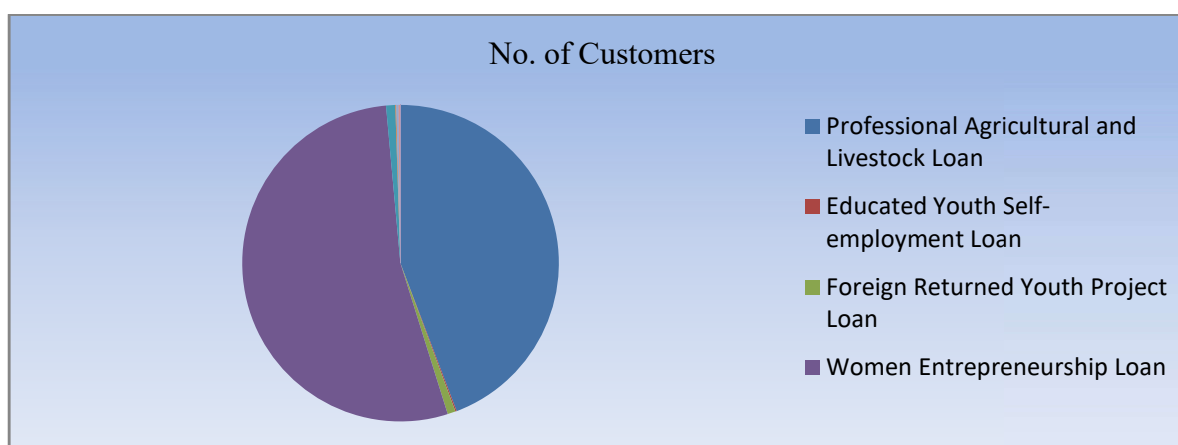
Whole Nepal's performance on concessional loan of July 15, 2021(last fiscal year end) is in Table 3.

Table 3: Concessional Loan Status of Nepal

S.N.	Description	No. of Customers	Loan Outstanding "000"
1	Professional Agricultural and Livestock Loan	46057	106978433
2	Educated Youth Self-employment Loan	140	63716
3	Foreign Returned Youth Project Loan	839	598034
4	Women Entrepreneurship Loan	55551	50984449
5	Marginalized Community Business Development Loan	965	572871
6	Higher and Technical Education Loan	111	25290
7	Earthquake Victim People Personal Home Loan	231	49435
8	Clothing Industry Loan	210	2162459
9	Professional and Vocational Training Loan	2	360
10	Youth self Employment Loan	3	1119

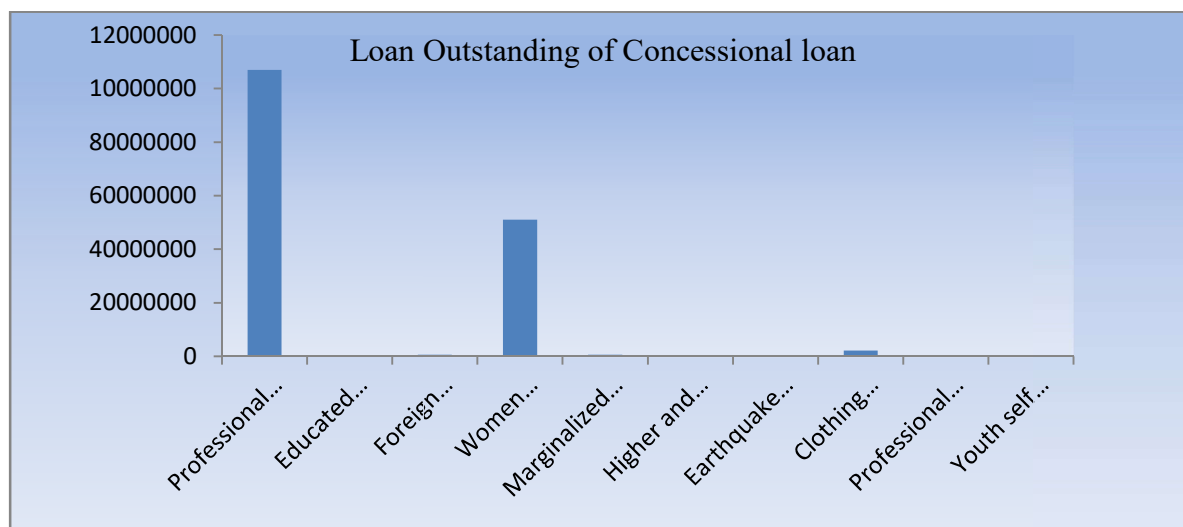
(Source: Website of Nepal Rastra Bank)

Figure 1: Concessional Loan Status of Nepal Pie Chart



Source : Table 3

Figure 2: Concessional Loan Status of Nepal Bar Graph



Source : Table 3

Interpretation:

Table 2 shows status of concessional loan of whole Nepal. Figure 1 shows number of concessional loan availing customers and Figure 2 shows concessional loan outstanding amount. When we look whole Nepal's status of concessional loan, we can see loan concentrate in only two products. Loan outstanding and no. of customer both is higher in professional agricultural and livestock loan and women entrepreneurs' loan only. Loan in others products are very low as compare with these two products.

### 3.3 Concessional loan of RBB Kawasoti

Last three years concessional loan data of RBB Kawasoti is shown in Table 4.

Table 4: Concessional Loan of RBB, Kawasoti

Amount in '000'

S.N.	Description	FY 2019-20		FY 2020-21		FY 2021-22	
		No. of Customer	Loan outstanding	No. of Customer	Loan outstanding	No. of Customer	Loan outstanding
1	Professional Agricultural and Livestock Loan	0	0	14	15000	50	45000
Total		0	0	14	15000	50	45000
Yearly Growth rate		-	-	-	-	257.14%	200%

Source : Branch office Kawasoti, RBB Bank

Interpretation:

Table 4 shows the last three years concessional loan status of RBB bank, Kawasoti branch. In FY 2019-20, there is no any concessional loans. In FY 2020-21 there are 14 concessional loan customers and fifteen million concessional loans outstanding. Out of ten concessional loan products, RBB Kawasoti landed in professional agricultural and livestock loan only. In FY 2021-22 there are 50 concessional loan customers and forty five million concessional loans outstanding. Yearly growth rate of concessional loan of RBB Kawasoti in FY2021-22 in terms of number of customers is 257.14% and annual growth rate in loan outstanding is 200%.

### 3.4 Concessional loan of ADBL Kawasoti

Last three years concessional loan data of ADBL Kawasoti is shown in Table 5.

Table 5: Concessional Loan of ADBL, Kawasoti

S.N.	Description	Amount in '000'					
		FY 2019-20		FY 2020-21		FY 2021-22	
		No. of Customer	Loan outstanding	No. of Customer	Loan outstanding	No. of Customer	Loan outstanding
1	Professional Agricultural and Livestock Loan	14	32181	29	59926	109	186740
2	Women Entrepreneurship Loan	0	0	3	3400	50	38220
Total		14	32181	32	63326	159	224960
Yearly Growth rate		-	-	128.57%	96.7%	396.87%	255.24%

Source : Branch office Kawasoti, ADBL Bank

Interpretation:

Table 5 shows the last three years concessional loan status of ADBL bank, Kawasoti branch. In FY 2019-20, there is only 14 concessional loans files with thirty two million and one hundred eighty one thousand loan outstanding. In FY 2020-21 there are 32 concessional loan customers and sixty three million and three hundred twenty six thousand concessional loans outstanding. Out of 10 concessional loan products, ADBL Kawasoti lends in professional agricultural and livestock loan and women entrepreneurs loan only. In FY 2021-22 there are total 159 concessional loan customers where 109 are from professional agricultural and livestock loan and

50 are from women entrepreneurs' loan. We can see two hundred twenty four million and nine hundred sixty thousand concessional loan outstanding in the end of FY 2021-22. Yearly growth rate of concessional loan of ADBL Kawasoti in FY2020-21 in terms of number of customers is 128.57 % and growth rate in terms of loan outstanding is 96.7%. Yearly growth rate of concessional loan in FY2020-21 in terms of number of customers is 396.87% and growth rate in terms of loan outstanding is 255.24 %.

### 3.5 Recovery status

There is no any interest overdue and principal overdue of concessional loan in both branch offices. It shows that recovery rate of concessional loan is hundred percent.

The reason behind the 100% recovery rate is the concessional loan policy itself. In concessional loan policy, there is one clause, only banks and financial institutions can claim subsidies only for those customers who paid their portion of interest.

### 3.6 Effectiveness of interest subsidy loans on beneficiaries

The researcher has selected 64 professional agriculture and livestock loan customers from 2 branch offices. Sample has taken by using simple random sampling method. Sources of all data from this section are primary data collection.

Table 6: Total Population and Sample Size

Bank Branch Offices	Total Population	Sample Size	Remarks
RBB Kawasoti	50	20	40%
ADBL Kawasoti	109	44	40%
Total	159	64	

The researcher has collected the information of professional agriculture and livestock loan customers from 2 branch offices by serving them a structured questionnaire and has interviewed them personally over phone for additional information regarding their opinion about concessional loan, their financial position and their problems. These views are essential for suggesting the measures for better implementation of the concessional loan policy.

#### 3.6.1 Gender wise classification of the respondents

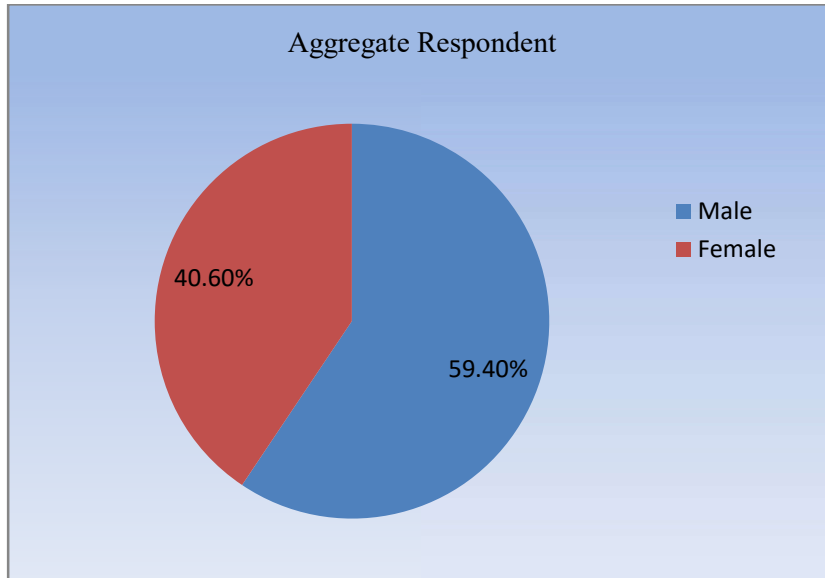
Table 6 deals with the gender wise classification of 64 professional agricultural and livestock loan customers' from two branch offices.



Table 7: Gender wise Classification of Respondents

	ADBL Kawasoti			RBB Kawasoti			Aggregate		
Gender	Female	Male	Total	Female	Male	Total	Female	Male	Total
Number	15	29	44	11	9	20	26	38	64
Percentage	34.1	65.9	100	55	45	100	40.6	59.4	100

Figure 3: Gender wise Classification of Respondents Pie Chart



Interpretation:

Table 6 clearly elucidates the gender classification of the respondents. It has been observed that majority of the respondents are male with 59.4% and female with 40.6 % from the total respondents. There are majority male respondents from ADBL Kawasoti and female majority respondents from RBB Kawasoti. Figure 3 shows the percentage of gender of aggregate respondents in pie chart.

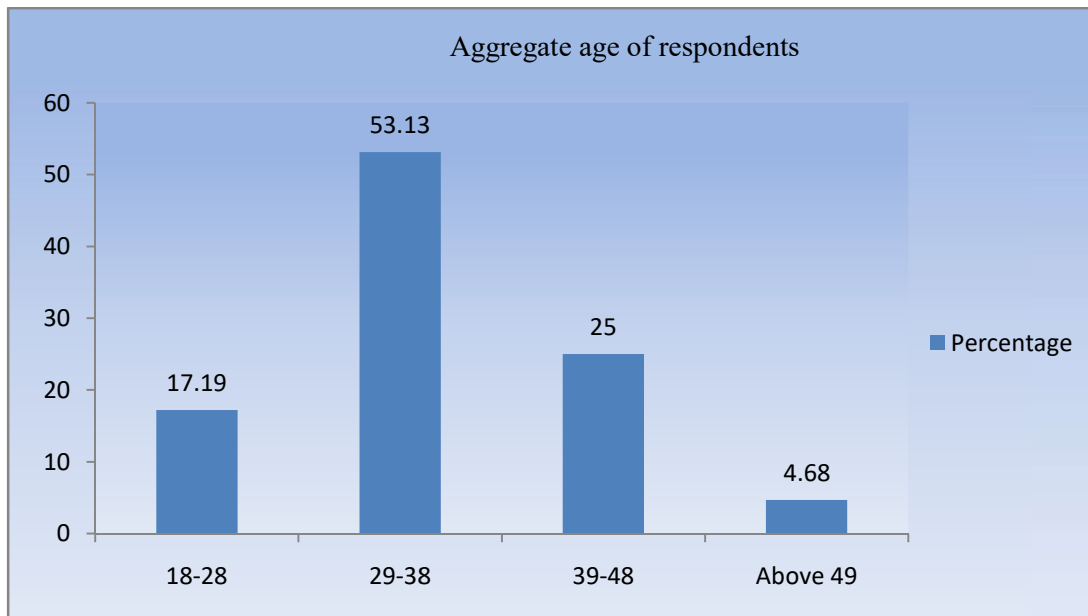
3.6.2 Age wise classification of the respondents

Table 7 deals with the age wise classification of 64 professional agricultural and livestock loan customers' from two branch offices.

Table 8: Age wise classification of the respondents

S. N.	Age	ADBL Kawasoti		RBB Kawasoti		Aggregate	
		Numbers	Percentage	Numbers	Percentage	Numbers	Percentage
1	18-28	9	20.45	2	10	11	17.19
2	29-38	22	50	12	60	34	53.13
3	39-48	10	22.72	6	30	16	25
4	Above 49	3	6.83	0	0	3	4.68
Total		44	100	20	100	64	100

Figure 4: Age wise classification of the respondent's bar graph



#### Interpretation

From the Table 7 and Figure 4, we can see most of the respondents are in the range of 29-38 years of age. It shows that most of concessional loan is goes to matured youth. Respondents with age range 39-48 are second highest and followed by 18-28 age range. Above 49 year's respondents from RBB Kawasoti is zero and from ADBL Kawasoti is lowest i.e. 6.83%.

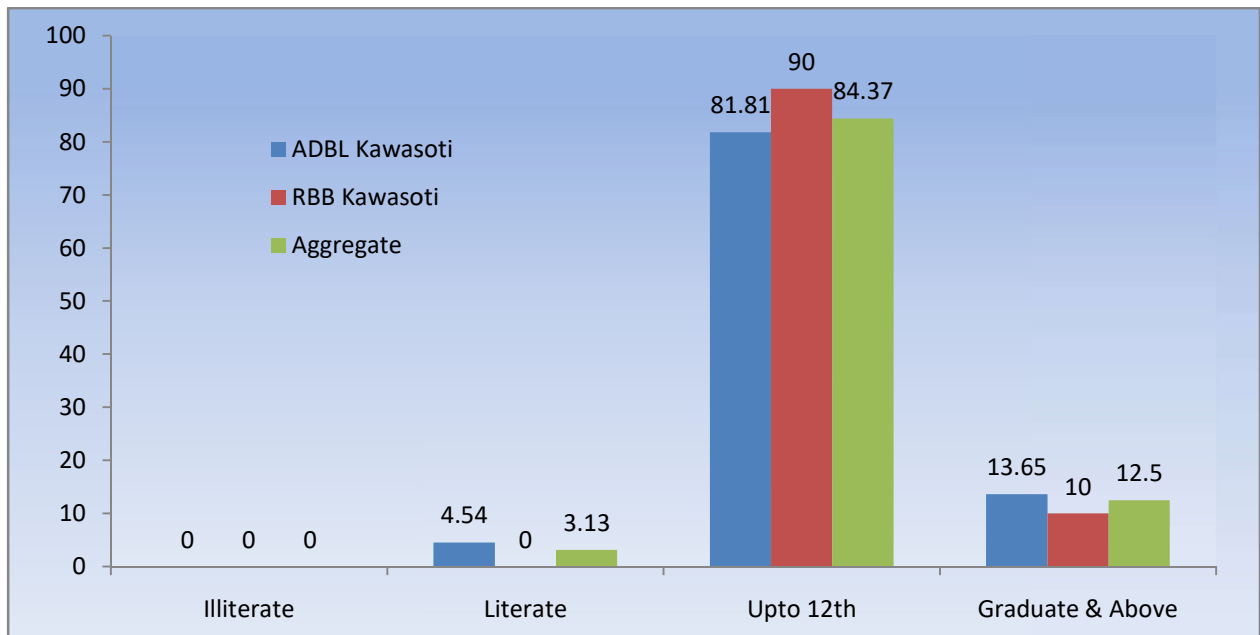
#### 3.6.3 Qualification wise classification of respondents

Table 8 deals with the qualification wise classification of 64 professional agricultural and livestock loan customers' from two branch offices.

Table 9: Qualification wise classification of respondents

S. N.	Education	ADBL Kawasoti		RBB Kawasoti		Aggregate	
		Numbers	Percentage	Numbers	Percentage	Numbers	Percentage
1	Illiterate	0	0	0	0	0	0
2	Literate	2	4.54	0	0	2	3.13
3	Upto 12th	36	81.81	18	90	54	84.37
4	Graduate & Above	6	13.65	2	10	8	12.5
Total		44	100	20	100	64	100

Figure 5: Qualification wise classification of respondent's bar graph



### Interpretation

It has been observed that, more than 90% of the ADBL Kawasoti branch respondents are got formal education and 13.65 % among them are graduated or above. When we looked data of RBB Kawasoti 100% respondents are took formal education and 10% among them are graduated and above qualification. Non respondents are illiterate and in aggregate, majority respondents have experience of formal education.

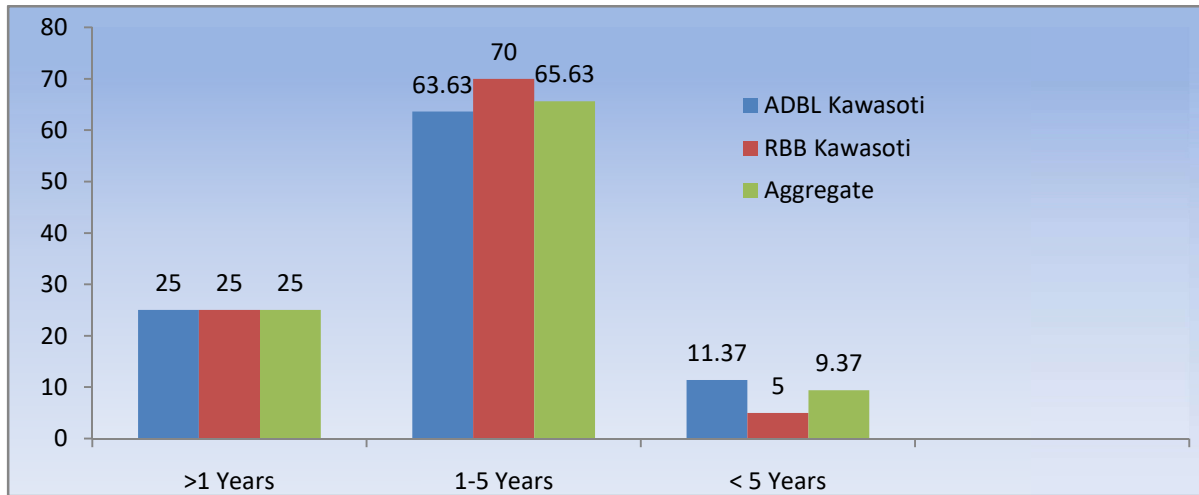
### 3.6.4 Experience on project/business wise classification of respondents

In agriculture sector loan it is seen that most of the customers are not continues their agro firm/business and they are shifted from one business to another. Table 8 and Figure 6 are deals with years of experience in their agro firm/business.

Table 10: Experience on project wise classification of respondents

S. N.	Experience	ADBL Kawasoti		RBB Kawasoti		Aggregate	
		Numbers	Percentage	Numbers	Percentage	Numbers	Percentage
1	>1 Years	11	25	5	25	16	25
2	1-5 Years	28	63.63	14	70	42	65.63
3	< 5 Years	5	11.37	1	5	6	9.37
Total		44	100	20	100	64	100

Figure 6: Experience on project wise classification of respondent's bar graph



#### Interpretation

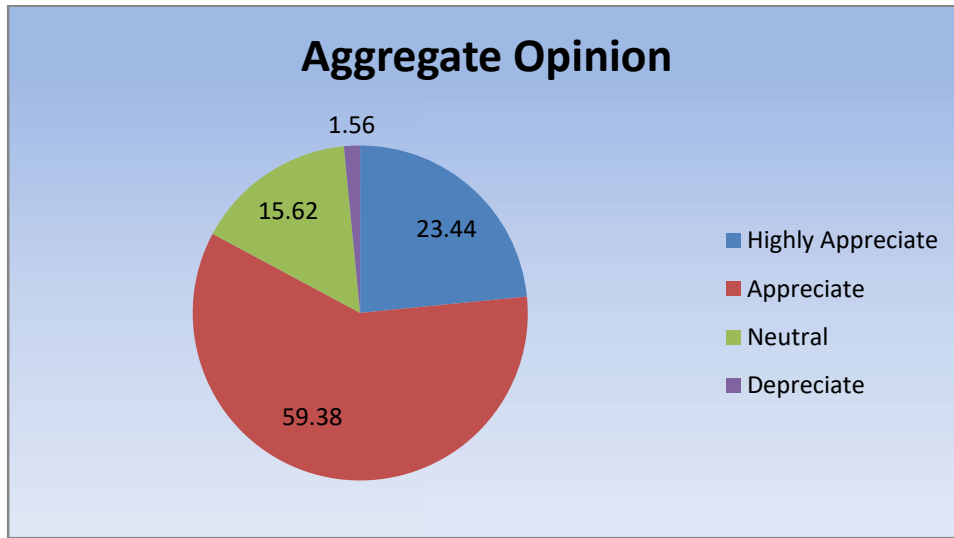
From the Table 9 and Figure 6 we can see, most of the respondents have 1-5 years of experience in agro project. 25% of respondents have less than one years experience in their business and more than 5 years experienced respondents are lowest.

#### 3.6.5 Respondents initial opinion about concessional loan

Table 11: Respondents initial opinion about concessional loan

S. N.	Opinion	ADBL Kawasoti		RBB Kawasoti		Aggregate	
		Numbers	Percentage	Numbers	Percentage	Numbers	Percentage
1	Highly Appreciate	10	22.73	5	25	15	23.44
2	Appreciate	23	52.27	15	75	38	59.38
3	Neutral	10	22.73	0	0	10	15.62
4	Depreciate	1	2.27	0	0	1	1.56
5	Highly Depreciate	0	0	0	0	0	0
Total		44	100	20	100	64	100

Figure 7: Respondents initial opinion about concessional loan pie chart



#### Interpretation

From Table 10 and Figure 7 we found that, Initial opinion of concessional loan scheme from respondents was quite positive. While we looking towards respondents of ADBL customers, more than 22% respondents are highly appreciate and more than 52% appreciate this scheme. 22% were neutral. I found that one respondent opinion was depreciated at initial stage. I separately asked him that why you were depreciated, and he answered that "Initially i was thought that it is another political propaganda by government to increase their vote base."

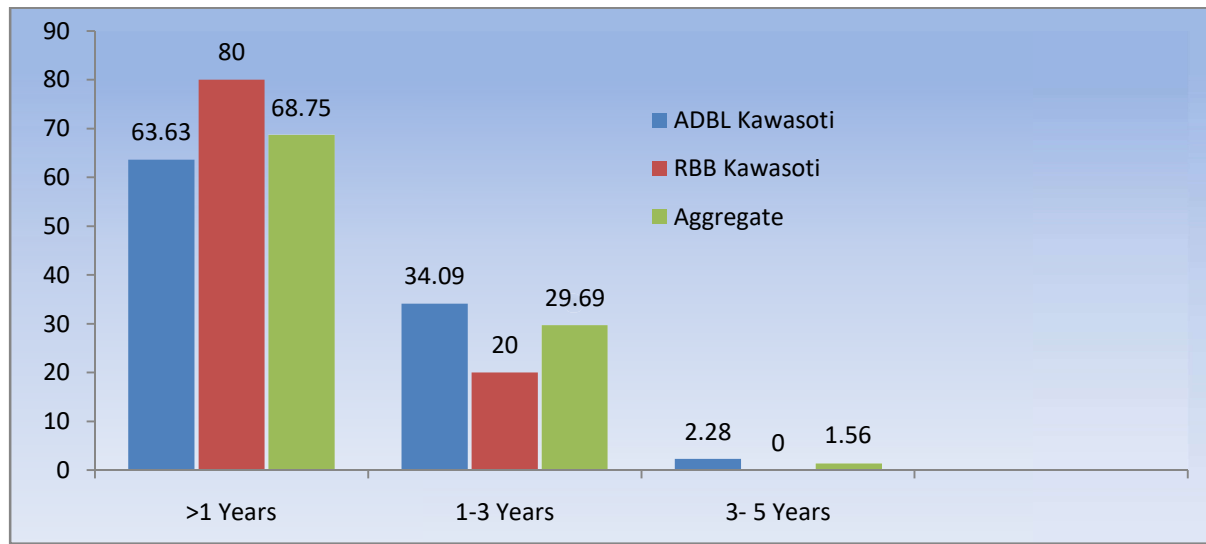
Respondents of RBB bank branch customers were much positive than ADBL branch customers. 25% of them highly appreciated and remaining 75% respondents were appreciated this policy while they know about this polity. Overall we found that more than 80% respondents appreciate while they know about concessional loan scheme.

#### 3.6.6 Concessional loan facility availing years by respondents

Table 12: Concessional loan facility availing years by respondents

S. N.	Availing Years	ADBL Kawasoti		RBB Kawasoti		Aggregate	
		Numbers	Percentage	Numbers	Percentage	Numbers	Percentage
1	>1 Years	28	63.63	16	80	44	68.75
2	1-3 Years	15	34.09	4	20	19	29.69
3	3- 5 Years	1	2.28	0	0	1	1.56
Total		44	100	20	100	64	100

Figure 8: Concessional loan facility availing years by respondents bar graph



#### Interpretation

It has been observed that most of the customers availed concessional loan in last year. And number of respondent's availed concessional loan from more than 3 years is very low.

#### 3.6.7 Concessional loan improved financial position of beneficiaries or not

In this section, question was asked that, "Concessional loan improved my financial position." And respondents have five options. There were options that they can tick on highly agree, agree, neutral, disagree and highly disagree. Result is plotted on Table 13.

Table 13: Concessional loan improved financial position of beneficiaries or not

S. N.	Opinion	ADBL Kawasoti		RBB Kawasoti		Aggregate	
		Numbers	Percentage	Numbers	Percentage	Numbers	Percentage
1	Highly Agree	16	36.36	8	40	24	37.50
2	Agree	18	40.90	7	35	25	39.06
3	Neutral	4	9.09	0	0	4	6.25
4	Disagree	6	13.65	5	25	11	17.19
5	Highly Disagree	0	0	0	0	0	0
Total		44	100	20	100	64	100

## Interpretation

From the Table 12, we found that more than 70% of respondents agreed that concessional loan improved their financial position and strength. But there are countable respondents they were not agree that concessional loan improved their financial position. I revisited their house and found that they are in this agricultural farming from 3-4 years and they just took concessional loan last year and although they produced agricultural products, they have faced marketing problem. Market price of their products was gradually down and they could not able to get high profit although they produced high quantity. Most of them were in vegetable farming.

### 3.6.8 Satisfaction with concessional loan policy and banks role on it

In this section, question was asked that, "Satisfied with concessional loan policy and bank's role on it." And respondents have five options. There were options that they can tick on highly agree, agree, neutral, disagree and highly disagree. Result is plotted on Table 14.

Table 14: Satisfaction with concessional loan policy

S. N.	Opinion	ADBL Kawasoti		RBB Kawasoti		Aggregate	
		Numbers	Percentage	Numbers	Percentage	Numbers	Percentage
1	Highly Agree	21	47.72	15	75	36	56.25
2	Agree	23	52.28	5	25	28	43.75
3	Neutral	0	0	0	0	0	0
4	Disagree	0	0	0	0	0	0
5	Highly Disagree	0	0	0	0	0	0
Total		44	100	20	100	64	100

## Interpretation

It is found that 100% respondents are agreed that they are satisfied with Nepal Governments concessional loan policy and their respective banks role on it.

### 3.6.9 Need any improvement in Concessional loan policy?

In second last question of questionnaire, I asked to respondents about needed of imprudent in concessional loan policy or not. Their views are plotted in Table 15.

Table 15: Need improvement in Concessional loan policy

S. N.	Opinion	ADBL Kawasoti		RBB Kawasoti		Aggregate	
		Numbers	Percentage	Numbers	Percentage	Numbers	Percentage
1	Yes	35	79.55	18	90	53	82.81
2	No	9	20.45	2	10	11	17.19
Total		44	100	20	100	64	100

Figure 9: Need improvement in Concessional loan policy bar graph

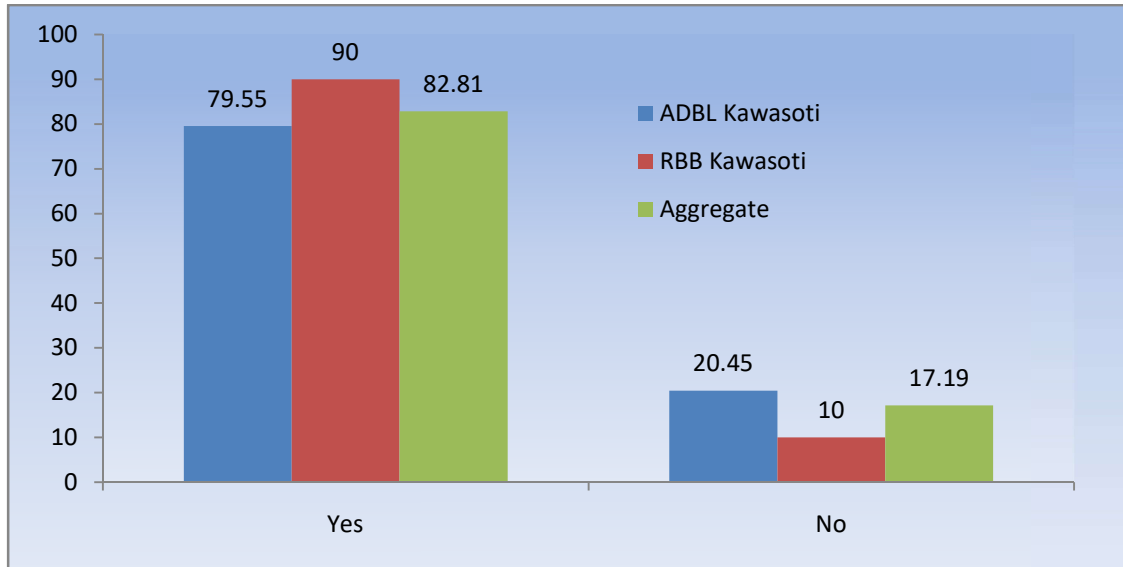


Figure 9

#### Interpretation

Table 13 and Figure 9 show the respondents opinion towards concessional loan policy of Nepal Government. More than 80% respondents' thoughts that concessional loan policy needed improvement. In last question, i was asked if improvement is needed, in what thing should be improved or changed. Respondent's answers are stated in Table 16.



Table 16 : Beneficiaries opinion on improvement in Concessional Loan

S.N.	Opinion	Highly Agree	Agree	Neutral	Disagree	Highly Disagree	Total
1	Interest Subsidy Period should be extended	12	15	0	26	0	53
2	Documentation part should be more ease	17	21	0	15	0	53
3	Less time to sanction limit	26	13	0	10	4	53
4	Support in technical and marketing part is needed	52	1	0	0	0	53
5	Not only agriculture and clothing industry, Interest subsidy should be given in other industry too	5	17	0	31	0	53

Interpretation:

Table 14 shows the respondents opinion towards need to improvement in concessional loan policy. There are 53 respondents, who said there is need of some improvement in concessional loan policy. Out of five options where the improvement is needed, all respondents are agreeing that they need support on technical and marketing part. And most of respondents are not agree to give subsidy to other industry. They said first of all government has to focus on agricultural sector subsidy.

Out of 53, 38 respondents agree that documentation part of concessional should be more ease. And 39 respondents want less timing duration from loan application to loan sanction time period.

## Chapter IV

### 4. Summary of Findings and Recommendation

#### 4.1 Summary of Findings

##### Findings from secondary data analysis

- The concessional loan status of whole Nepal is quite centric on two subproducts i.e. women entrepreneurs and professional agricultural and livestock loans.
- Out of 10 sub-products of concessional loans, RBB, Kawasoti has provided professional agricultural and livestock loans only. Whereas ADBL, Kawasoti has provided the concessional loan in two subproducts i.e. women entrepreneurs and professional agricultural and livestock loans.
- RBB, Kawasoti has not provided any concessional loan in FY 2019/20. In FY 2021/22 total of 50 customers availed professional agricultural and livestock loan amount NPR. 45 million only. The yearly growth rate of the concessional loan of RBB Kawasoti in FY2021-22 in terms of the number of customers is 257.14% and the annual growth rate in loan outstanding is 200%.
- ADBL, Kawasoti has provided 159 concessional loan files in FY 2021/22 consisting of 109 in professional agricultural and livestock loans and 50 files in women entrepreneurs. The yearly growth rate of the concessional loan of ADBL Kawasoti in FY2020-21 in terms of the number of customers is 128.57 % and the growth rate in terms of loan outstanding is 96.7%. The yearly growth rate of the concessional loan in FY2020-21 in terms of the number of customers is 396.87% and the growth rate in terms of loan outstanding is 255.24 %.
- There is no interest overdue and principal overdue of the concessional loan in both branch offices. It shows that the recovery rate of the concessional loan is 100%.

##### Findings from primary data analysis

- The majority of the respondents are male with 59.4% and female with 40.6 % of the total respondents. There are majority male respondents from ADBL Kawasoti and female majority respondents from RBB Kawasoti.
- Most of the respondents are in the range of 29-38 years of age. It shows that most of the concessional loan goes to experienced youth.
- More than 90% of the ADBL Kawasoti branch respondents got formal education, where 13.65 % are graduated or above. When we looked at the data of RBB Kawasoti 100% of respondents are taken formal education & 10% among them are graduated and above qualification. It shows that concessional loan goes to educated people.
- Most of the respondents have 1-5 years of experience in the agro project. 25% of respondents have less than one year of experience in their business & more than 5 years experienced respondents are the lowest. It shows that the majority of concessional loan has gone to experienced people.
- Initially, when the concessional loan policy had come, respondents from RBB bank branch customers were much more positive than ADBL branch customers. 25% of them highly appreciated & the remaining 75% of respondents have appreciated this policy

while they know about this policy. Overall we found that more than 80% of respondents had appreciated while they knew about concessional loan scheme initially.

- It has been observed that most of the customers availed concessional loans last year. And the number of respondents who availed concessional loans for more than 3 years is very low.
- More than 70% of respondents agreed that concessional loan improved their financial position and strength. But some countable respondents did not agree that concessional loan improved their financial status. The researcher revisited their house and found that they are in this agricultural farming for 3-4 years and they just took a concessional loan last year and although they produced agricultural products, they have faced marketing problems. The market price of their products was gradually down and they could not able to get high profit although they produced high quantity.
- It has found that 100% of respondents are agreed that they are satisfied with Nepal Government's concessional loan policy and their respective bank's role in it.
- More than 80% of respondents thoughts that, there are some improvements has needed in concessional loan policy. There are 53 respondents, who said there is a need for some improvement in concessional loan policy. Out of five options where the improvement is needed, all respondents are agreeing that they need support on the technical and marketing part. And most of the respondents are not agree to give subsidies to other industries. They said first of all government has to focus on agricultural sector subsidy. Out of 53, 38 respondents agree that documentation part of concessional should be easier. And 39 respondents want less timing duration from loan application to loan sanction period.

#### 4.2 Recommendation

Basically, this dissertation has focused on concessional loan policy by Nepal Government. On the basis of the analysis of this study, the following recommendations are prescribed. The recommendations are presented separately i.e. point-wise to different aspect of the study, which will be more beneficial and ease to understand and to improve by the bank branch under study.

- There are ten different sub-products on concessional loan policy, but RBB, Kawasoti provided the loan on professional agricultural and livestock loans only. ADBL, Kawasoti provided in two subproducts only i.e. professional agricultural and livestock loans and women entrepreneurs. There are lots of youth who returned from foreign employment due to the current COVID situation and there are lots of educated youths who wanted to start a business but cannot able to do it due to capital. So it is recommended to both branches that they should be focused on others sub-products under concessional loan too. If they only focus on professional agricultural and livestock loans and women entrepreneurs' loans only, concentration risk will be raised.
- Both branch offices' recovery position on the concessional loan is quite good. Both branch offices maintained a 100% recovery rate. It is recommended that keep a continuous focus on the same kinds of recovery.
- It was found that out of 53, 39 respondents suggested less timing on sanction of loan. In the agricultural sector loan, if customers could not able to get funds timely, their whole agro production process will be hampered. So it is recommended that both branches must

have to focus on sanctioning concessional loans in the shortest time possible; so that customers get funds timely.

This dissertation is being prepared for the 55th Post Graduate Diploma in Cooperative Business Management at Vaikunth Mehta National Institute of Cooperative Management. As a Nepali student, I believe that the academic activities of this course were handled with great interest and attention. All the material included in this dissertation is compiled under personal effort and readings. The knowledge I gained from it was immense. I believe it will be extremely important for my career.

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Study of Effectiveness and Utilization of Concessional Loan  
Questionnaire for Primary Data Collection

**Personal Profile**

1. AGE : 18-28  29-38   
39-48  over

2. Gender : Male  Female  Other

3. Education : Illiterate  Literate   
Upto 12th  Graduate & Above

**Business Profile**

4. From how many years have you been in this business/project?

Less than 1 Years  1 to 5 years  Above 5 Years

5. What was your first reaction when you heard about concessional loan?

Highly Appreciate	Appreciate	Neutral	Depreciate	Highly Depreciate

6. From how much years you are availing concessional loan?

Less than 1 Years

1 to 3 years

3-5 Years

7. Concessional loan improved my financial position.

Highly Agree	Agree	Neutral	Disagree	Highly Disagree

8. Satisfied with concessional loan policy and bank's role on it.

Highly Agree	Agree	Neutral	Disagree	Highly Disagree

9. Need any improvement in concessional loan policy?

Yes

No, it is enough

10. If Yes, What thing should be Improved/Changed?

a. Interest Subsidy Period should be extended

Highly Agree	Agree	Neutral	Disagree	Highly Disagree

b. Documentation part should be more ease

Highly Agree	Agree	Neutral	Disagree	Highly Disagree

c. Less time to sanction limit

Highly Agree	Agree	Neutral	Disagree	Highly Disagree

d. Support in technical and marketing part is needed

Highly Agree	Agree	Neutral	Disagree	Highly Disagree

e. Not only agriculture and clothing industry, Interest subsidy should be given in other industry too

Highly Agree	Agree	Neutral	Disagree	Highly Disagree