CHAPTER IV

EFFECT OF BHUTAN DEVELOPMENT FINANCE CORPORATION LENDING SCHEME ON INCOME, ASSET, EMPLOYMENT GENERATION AND RECOVERY PERFORMANCE

4.1 INTRODUCTION

The principal goal of the Bhutan Development Finance Corporation Limited (BDFCL) is to assist the small rural entrepreneurs to increase on-farm and off-farm production thereby increasing their income and standard of living. The increase in production on a nation wide basis will assist Bhutan to become self sufficient in food thus fulfilling one of the major aims of the government. Towards this end, Micro-Finance is recognised as a powerful tool in accelerating the socio-economic development of the most disadvantaged segment of the rural society. Acknowledging the impact of this small but important tool, BDFCL had also subscribed to it by introducing small loans based on group guarantee and savings under the Group Guarantee Lending and Savings Scheme (GGLS). Hence, the inquisitor has chosen the Group Guarantee Lending and Savings Scheme (GGLS) only for analysing the impact of the scheme on income, asset and employment generation of the beneficiaries.
The scheme of lending of Bhutan Development Finance Corporation lending is specially aimed at bringing the assisted families above the poverty line by ensuring appreciable and sustained level of income over a period of time. An evaluation study is attempted to identify the problems connected with the implementation of the credit scheme and analyse the prospects for development in future. 300 beneficiaries were interviewed through interview schedules to assess the income, asset, employment generation and recovery performance. This analytical chapter is divided into three sections namely:

(i) Income, asset and employment generation
(ii) Factors influencing the repayment of loan and
(iii) Recovery performance.

4.2 INCOME, ASSET AND EMPLOYMENT GENERATION

4.2.1 Income Generation

Since the assets financed under the credit scheme can be expected to produce returns within a period of one year from the commencement of the project and commercialization of the produce or services. The success of the scheme lies in its ability to generate additional income to the beneficiaries, which results in a chain of reinvestment returns from the additional assets created. In this section, the impact of credit scheme on the beneficiaries is identified in terms of its additional income - generating capacity of the families of the borrowers.
4.2.1.1 Per Capita Annual Income

The effect of credit scheme on per capita income of borrowers is presented in Table 4.1.

TABLE 4.1
IMPACT OF THE CREDIT SCHEME ON PER CAPITA INCOME OF THE BENEFICIARIES PER ANNUM

<table>
<thead>
<tr>
<th>SL. No</th>
<th>Per capita Income Group (in Nu.)</th>
<th>No. of Beneficiaries</th>
<th>Pre-loan period</th>
<th>Post-loan period</th>
<th>Percentage of Increase</th>
<th>t - value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Average Per Capita Income (in Nu.)</td>
<td>Average Per Capita Income (in Nu.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Below 2000</td>
<td>79</td>
<td>2,926.35</td>
<td>3,916.26</td>
<td>33.83</td>
<td>5.29*</td>
</tr>
<tr>
<td>2</td>
<td>2000-3000</td>
<td>126</td>
<td>3,766.25</td>
<td>5,091.16</td>
<td>35.17</td>
<td>4.26*</td>
</tr>
<tr>
<td>3</td>
<td>3000-4000</td>
<td>61</td>
<td>4,461.29</td>
<td>6,099.29</td>
<td>36.72</td>
<td>5.63*</td>
</tr>
<tr>
<td>4</td>
<td>4000-5000</td>
<td>28</td>
<td>4,841.15</td>
<td>6,069.24</td>
<td>25.37</td>
<td>6.15*</td>
</tr>
<tr>
<td>5</td>
<td>Above 5000</td>
<td>6</td>
<td>5,910.40</td>
<td>6,561.21</td>
<td>11.01</td>
<td>4.76*</td>
</tr>
<tr>
<td></td>
<td>Overall</td>
<td>300</td>
<td>4,861.15</td>
<td>5,211.45</td>
<td>7.21</td>
<td>5.59*</td>
</tr>
</tbody>
</table>

Source: Computed Data.
Note: * Significant at 5 per cent level.
Figure 4.1
Impact of the Credit Scheme on Per Capita Income of the Beneficiaries Per Annum

Pre – loan period  Post – loan period
Information on the average per capita income of the beneficiaries before and after receiving the loan assistance under the Government sponsored programmes was collected and Table 4.1 shows the distribution of per capita increase among different income groups.

The percentage of increase in per capita income varied between 11.01 per cent and 36.72 per cent. The highest increase in per capita income was found in the income group of Nu.3000-4000, 36.72 per cent followed by the income group of Nu. 2000 to Rs.3000 where the increase was 35.17 per cent. The percentage of increase in per capita income was found to decline with higher income groups.

The details of activity-wise changes in per capita income are presented in Table 4.2.
### TABLE 4.2

**ACTIVITY-WISE CHANGES IN PER CAPITA INCOME OF THE BENEFICIARY FAMILIES**

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Activities</th>
<th>No. of Beneficiaries</th>
<th>Pre–Loan Period</th>
<th>Post–Loan Period</th>
<th>Percentage of Increase</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Average per capita income (in Nu.)</td>
<td>Average per capita income (in Nu.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Industrial Activities</td>
<td>118</td>
<td>2,996.39</td>
<td>4561.20</td>
<td>52.22</td>
<td>3.41*</td>
</tr>
<tr>
<td>2</td>
<td>Non-Industrial Activities</td>
<td>182</td>
<td>2,851.25</td>
<td>4215.21</td>
<td>47.83</td>
<td>5.21*</td>
</tr>
<tr>
<td></td>
<td>Overall</td>
<td>300</td>
<td>2,999.65</td>
<td>3,799.21</td>
<td>26.66</td>
<td>3.41</td>
</tr>
</tbody>
</table>

Source: Computed data.

Note: * Significant at 5 Percent level
Figure 4.2
Activity-Wise Changes in Per Capita Income of the Beneficiary Families

In Nu
The activity-wise effect on the changes in per capita income of BDFCL sponsored credit scheme beneficiary families shows that in absolute terms the per capita increase in income was the highest in industrial activities and lower in non-industrial activities. Percentage-wise, 47.83 per cent increase in per capita income was found in non-industrial activities whereas 52.22 per cent increase in per capita income was found in industrial activities. On the whole, there has been a positive increase in per capita income of the beneficiaries even though the percentage increase is found to vary for different types of activities.

In order to assess the additional income accruing to families of the beneficiaries, data were collected regarding the family assets of the beneficiaries before and after getting financial assistance under the government sponsored programme under the Lead Bank Scheme (LBS) for setting up the project at concessional rates of interest.

4.2.1.2. Family Asset Positions Before and After Getting the Loan under the GGLS Scheme

Table 4.3 gives the distribution of assets among the four different asset groups which shows the average family assets of the respondents before and after getting financial assistance under GGLS scheme.
TABLE 4.3
CLASSIFICATION OF FAMILY ASSETS BEFORE AND AFTER GETTING UNDER GGLS SCHEME

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Asset Groups (in Nu.)</th>
<th>No. of Beneficiaries</th>
<th>Pre-loan period Average Per Capita Income (in Nu.)</th>
<th>Post-loan period Average Per Capita Income (in Nu.)</th>
<th>Percentage of Increase</th>
<th>t – value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Below 20,000</td>
<td>92</td>
<td>17,286.96</td>
<td>27,196.21</td>
<td>57.32</td>
<td>5.41*</td>
</tr>
<tr>
<td>2</td>
<td>20000-30000</td>
<td>126</td>
<td>22,451.61</td>
<td>37,211.15</td>
<td>65.73</td>
<td>5.19*</td>
</tr>
<tr>
<td>3</td>
<td>30000-40000</td>
<td>52</td>
<td>39,851.16</td>
<td>59,561.60</td>
<td>49.46</td>
<td>4.19*</td>
</tr>
<tr>
<td>4</td>
<td>40000 and above</td>
<td>30</td>
<td>45,621.15</td>
<td>67,891.16</td>
<td>48.81</td>
<td>5.21*</td>
</tr>
<tr>
<td>5</td>
<td>Overall</td>
<td>300</td>
<td>28,921.16</td>
<td>41,216.25</td>
<td>42.51</td>
<td>5.71*</td>
</tr>
</tbody>
</table>

Source: Computed data.

Note: * Significant at 5 percent level

It could be seen from Table 4.3 that there has been an increase in the assets position of the beneficiaries after getting financial assistance under BDFCL sponsored scheme. The percentage of increase in assets is found to be the highest namely, 65.73 per cent for those in the asset group of Nu.20,000 to Nu.30,000. It is followed by 57.32 per cent for the asset group below Nu. 20,000. An increase of 49.46 per cent and 48.81 per cent in asset position is found in the asset group of
Nu.30,000– Nu.40,000 and above Nu.40,000 respectively. It reveals that the government sponsored programme under the Lead Bank Scheme is successful in promoting the standard of living of the borrowers' families through improvement in their asset position.
Figure 4.3
Classification of Family Assets Before and After Getting Loan Under GGLS Scheme
Table 4.4 gives the changes in family assets during pre-loan and post-loan periods for the different types of activities.

**TABLE 4.4**

**ACTIVITY-WISE CHANGES IN FAMILY ASSETS During Pre-Loan And Post-Loan Periods**

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Activity</th>
<th>No. of Beneficiaries</th>
<th>Pre – loan period</th>
<th>Post – loan period</th>
<th>Percentage of increase</th>
<th>t - value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Average per capita income (in Nu.)</td>
<td>Average per capita income (in Nu.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Industrial activities</td>
<td>118</td>
<td>32,162.35</td>
<td>49,216.15</td>
<td>53.02</td>
<td>3.19*</td>
</tr>
<tr>
<td>2</td>
<td>Non-Industrial activities</td>
<td>182</td>
<td>22,926.16</td>
<td>36,471.15</td>
<td>50.08</td>
<td>4.21*</td>
</tr>
<tr>
<td></td>
<td>Overall</td>
<td>300</td>
<td>25,316.96</td>
<td>37,210.92</td>
<td>52.71</td>
<td>4.25*</td>
</tr>
</tbody>
</table>

Source : Computed data

Note : *Significant at 5 per cent level

The addition to assets is found to vary for those engaged in different types of activities. In absolute terms, the increase in the assets is found to be the highest in industrial activities and lower in non-industrial activities. Percentage-wise, there has been 53.02 per cent increase in asset position for those engaged in industrial activities followed by a 50.08 per cent increase in non-industrial activities of the families of the beneficiaries.
Figure 4.4
Activity-Wise Changes in Family Assets During Pre-Loan And Post-Loan Periods
4.2.1.3 Generation of Additional Mandays of Employment

The size of employment generated is measured in terms of average mandays within the family of the four income groups in order to identify the principal beneficiaries of the BDFCL sponsored programme under the GGLS Scheme.

Table 4.5 reveals the amplitude of employment generated by government sponsored programmes under the scheme among different income groups.

**TABLE 4.5**

**ATTITUDE OF EMPLOYMENT GENERATED BY BDFCL SPONSORED PROGRAMME IN DIFFERENT INCOME GROUPS**

<table>
<thead>
<tr>
<th>Per capita Income-wise Classification (in Nu.)</th>
<th>Number of Beneficiaries</th>
<th>Average Mandays Generated within the family</th>
<th>Average Mandays generated with regard to hired hands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 2000</td>
<td>79</td>
<td>312</td>
<td>230</td>
</tr>
<tr>
<td>2000 – 4000</td>
<td>187</td>
<td>320</td>
<td>320</td>
</tr>
<tr>
<td>4000 – 6000</td>
<td>30</td>
<td>268</td>
<td>255</td>
</tr>
<tr>
<td>6000 and above</td>
<td>4</td>
<td>315</td>
<td>245</td>
</tr>
<tr>
<td>Overall</td>
<td>300</td>
<td>293</td>
<td>265</td>
</tr>
</tbody>
</table>

Source: Computed data
Figure 4.5
Attitude of Employment Generated by BDFCL Sponsored Programme in Different Income Groups

Average Mandays generated within the family

Average Mandays generated with regard to hired hands

Below 2000

2000 – 4000

4000 – 6000

6000 and above
Regarding average mandays of employment created within the family, it was found to vary from 268 to a maximum of 320. The highest average mandays of employment was found among the income groups Nu. 2000 to Nu. 4000 followed by the income group of Nu. 6000 and above.

Employment generated among the people other than family members on hired basis was found to vary between 230 mandays and 320 mandays. The average number of mandays generated was found to be the highest among the income group of Nu..2000- Nu. 4000 followed by the income group Nu. 4,000 – Nu.. 6,000.

Table 4.6 below gives the employment pattern and labour absorption capacity of BDFCL sponsored GGLS scheme.

**TABLE 4.6**  
**ACTIVITY- WISE EMPLOYMENT GENERATED UNDER**  
**BDFCL SPONSORED PROGRAMME**

<table>
<thead>
<tr>
<th>Activities</th>
<th>Number of Beneficiaries</th>
<th>Average Mandays among family members</th>
<th>Average Mandays Generated with Regard to hired hands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial activities</td>
<td>118</td>
<td>303</td>
<td>295</td>
</tr>
<tr>
<td>Non-Industrial activities</td>
<td>182</td>
<td>299</td>
<td>251</td>
</tr>
<tr>
<td>Overall</td>
<td>300</td>
<td>288</td>
<td>265</td>
</tr>
</tbody>
</table>

Source: Computed data.
Figure 4.6
Activity-Wise Employment Generated Under BDFCL Sponsored Programme

Non-Industrial activities
- Average Mandays Generated within the family: 299
- Average Mandays generated with regard to hired hands: 251

Industrial activities
- Average Mandays Generated within the family: 303
- Average Mandays generated with regard to hired hands: 295
The above Table 4.6 shows that among the different activities undertaken by the BDFCL sponsored programme under the GGLS scheme, beneficiaries of industrial activities have provided more number of mandays both within the family and hired labourers. In case of other activities the average days of employment is just ranging between 251 and 299 days.

4.3 FACTORS INFLUENCING THE REPAYMENT OF LOAN

In this section, an attempt has been made to analyse the repayment performance of the loan by the beneficiaries of the BDFCL sponsored programme under the Group Guarantee Lending and Savings Scheme (GGLS). The repayment schedule is determined in respect of term loan component. The BDFCL sponsored scheme stipulates that the period of repayment of term loan component shall be three to seven years with a moratorium period of 6 to 18 months. In order to identify the factors which influence the repayment of loan in the study area, data has been collected regarding the loan amount received, the net income received from the venture (trade), number of instalments and annual family income including other sources of each activity namely, non-agricultural activities and agricultural and allied activities.
4.3.1 Analytical Framework

In order to identify the factors which influence the repayment amount of loan with respect to industrial activities, non-industrial activities and overall, the log linear regression model is used. In this regression model, annual repaid amount in Nu. (Y) is treated as a dependent variable and other influencing factors namely:

(i) Loan amount received in Nu. (X_1)
(ii) Annual net income received from the venture (X_2),
(iii) Annual family income including other sources (X_3) and
(iv) Number of installments (X_4) are included as independent variables.

In the linear regression model, one dependent variable and four independent variables are included in the form given below:

\[
\log Y = \beta_0 + \beta_1 \log x_1 + \beta_2 \log x_2 + \beta_3 \log x_3 + \beta_4 \log X_4 + U \quad \ldots \quad 4.1
\]

where

Y - is annual repaid amount in Nu.,

X_1 - is loan amount received in Nu.,

X_2 - is annual net income received from the venture in Nu.,

X_3 - is annual family income including other sources in Nu.,

X_4 - is number of installments
$U$ - refers to disturbance term and

$\beta_0, \beta_1, \ldots \beta_4$ are the parameters to be estimated.

The above model (4.1) was estimated by the method of least squares for each activity separately. These tempted results are presented in Table 4.7 below:

**TABLE 4.7**

**ESTIMATED VALUES OF THE REGRESSION CO-EFFICIENTS**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Industrial Activities</th>
<th>Non-Industrial activities</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>2.91</td>
<td>4.15</td>
<td>4.82</td>
</tr>
<tr>
<td>log $X_1$</td>
<td>0.99* (39.16)</td>
<td>0.87* (7.69)</td>
<td>0.69* (4.21)</td>
</tr>
<tr>
<td>log $X_2$</td>
<td>-0.99 (-0.840)</td>
<td>0.008 (0.021)</td>
<td>0.0008 (0.019)</td>
</tr>
<tr>
<td>log $X_3$</td>
<td>-0.006 (-0.26)</td>
<td>-0.09 (-0.096)</td>
<td>0.09* (2.79)</td>
</tr>
<tr>
<td>log $X_4$</td>
<td>-0.98* (-17.23)</td>
<td>-0.97* (-5.21)</td>
<td>0.99* (5.36)</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.99</td>
<td>0.75</td>
<td>0.65</td>
</tr>
<tr>
<td>t - value</td>
<td>396.21</td>
<td>21.21</td>
<td>8.96</td>
</tr>
<tr>
<td>Sample Size</td>
<td>118</td>
<td>182</td>
<td>300</td>
</tr>
</tbody>
</table>

Source: Computed Data

Note: Figures in brackets are the t – values

* Indicates that the co-efficients are statistically significant at 5 per cent level
In the case of industrial activities, all the four variables are jointly responsible for 99 per cent variations in the repayment of loan. The co-efficients of the amount of loan received and the number of installments are statistically significant at 5 per cent level. The variable amount of loan received is positively related to the repayment whereas the variable “the number of installments” is negatively related to it. It indicates that an additional percentage of amount of loan received could increase repayment amount by 0.99 per cent. In the case of “the number of installments” an addition made to this variable is capable of decreasing the repayment amount by 0.98 per cent.

In the case of non-industrial activities the same two co-efficients are statistically significant at 5 percent level. In this category, the variable “amount of loan received by the beneficiaries” shows a positive relation to the repayment of loan. The co-efficient of variable, “the number of installments” shows negative relation to it. The $R^2$ value indicates that all the explanatory variables jointly account for about 75 percent responsibility in the repayment.

In the case of overall, three out of four variables are statistically significant at 5 percent level. The explanatory variables together account for 65 percent variations in the repayment amount. The amount of loan received and annual family income have a positive effect on the repayment amount of loan. It means that one percent increase in these variables is capable of increasing repayment by 0.69 per cent a negative effect on “the repayment of loan”. As per the t-value
given in Table 6.7 in all the three categories, the regression model is found to be significant at one per cent level.

Thus, it may be concluded from the above results that in all the three categories, namely, industrial activities, non-industrial activities and overall the two variables namely the amount of loan received and the number of installments have the same influence on the repayment of loan under the scheme. In the case of overall, in addition to those two variables, the variable, “annual family income” was also a significant factor, which influences the repayment of loan.

4.4 RECOVERY PERFORMANCE

Recovery performance assumes greater significance as it involved utilization of public money for sanctioning of loans. Recovery performance is an indicator of the successful functioning of the scheme and it enables the financial institutions to recycle the money to cover more number of eligible beneficiaries. The BDFCL Sponsored credit scheme is one among the poverty alleviation schemes and the performance of the scheme in terms of coverage and recovery helps in improving and comparing its performance with schemes that are in vogue.

The growing incidence of defaults in repayment of loans under the Scheme has attracted attention of bankers and authorities concerned prompting them to
analyse the causes for such poor performance and to find means for improving recovery performance.

To study the recovery performance, information was collected regarding the amount of loan sanctioned, date of sanctioning, moratorium period given, number of instalments paid from the records of the banks. In this study, the Bhutan Development Finance Corporation Limited, which disburse loans under the Group Guarantee Lending and Savings Scheme (GGLS) is analysed. Information regarding demand and collection was collected for a period of ten years from 1998 to 2007. Data on recovery has been calculated by demand collection balance method.

Demand (D) as on 31.03.2007
Collection (C) as on 31.03.2007
Overdue (O) as on 31.03.2007

The interest due up to 31.03.2007 is also added to arrive at demand.

For collection, the amount paid up to 31.03.2007 by the borrowers is added to the subsidy interest accrued is taken as amount collected. Overdue is calculated by deducting the amount collected from demand.
4.4.1. Framework of Analysis

The percentage of recovery is calculated by using the formula.

\[ R = \frac{C}{D} \times 100. \quad (4.2) \]

Where,

\( R \) = Recovery percentage \\
\( C \) = Collected amount and \\
\( D \) = Demand.

Trend and Growth of Recovery Performance

In order to examine the growth of demand, collection and overdue and its stability over the period of ten years from 1998 to 2007, the arithmetic mean (\( \overline{X} \)) and co-efficient of variation (C.V) of the following formula was used.

\[ \text{Co-efficient of Variation} \% = \frac{S.D}{\overline{X}} \times 100 \quad \text{---------------- (4.3)} \]

Where

\( S.D \) = Standard deviation \\
\( \overline{X} \) = Mean

The trend and compound growth rates are computed for demand, collection and overdue by adopting the semi-log trend model as given below:
Log $Y = a + bt$ \hspace{1cm} \text{------------------------ (4.4)}

where

$Y$ = variable

$t$ = Time variable

and $a$ and $b$ are the parameters to be estimated.

The above model (4.4) was estimated by the method of least squares. The compound growth rate was calculated by using the following formula:

\[
\text{Compound Growth Rate (\%)} = [\text{Anti log } b - 1] \times 100 \hspace{1cm} \text{(4.4)}
\]

The data pertaining demand, collection, recovery percentage, overdue and overdue percentage of the BDFCL is presented in Tables 4.8.
TABLE 4.8
RECOVERY PERFORMANCE DURING THE PERIOD
FROM 1998 TO 2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand (Nu. in million)</th>
<th>Collection (Nu. in million)</th>
<th>Recovery Percentage</th>
<th>Overdue (Nu. in million)</th>
<th>Overdue Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>17.61</td>
<td>15.74</td>
<td>89.38</td>
<td>1.87</td>
<td>10.62</td>
</tr>
<tr>
<td>1999</td>
<td>19.23</td>
<td>16.33</td>
<td>84.92</td>
<td>2.90</td>
<td>15.08</td>
</tr>
<tr>
<td>2000</td>
<td>22.73</td>
<td>19.54</td>
<td>85.97</td>
<td>4.19</td>
<td>18.43</td>
</tr>
<tr>
<td>2001</td>
<td>25.14</td>
<td>21.66</td>
<td>86.16</td>
<td>3.48</td>
<td>13.84</td>
</tr>
<tr>
<td>2002</td>
<td>30.12</td>
<td>25.11</td>
<td>83.12</td>
<td>5.10</td>
<td>16.88</td>
</tr>
<tr>
<td>2003</td>
<td>34.65</td>
<td>29.79</td>
<td>85.97</td>
<td>4.86</td>
<td>14.03</td>
</tr>
<tr>
<td>2004</td>
<td>39.44</td>
<td>33.44</td>
<td>84.79</td>
<td>6.00</td>
<td>15.21</td>
</tr>
<tr>
<td>2005</td>
<td>45.92</td>
<td>39.56</td>
<td>86.15</td>
<td>6.36</td>
<td>13.85</td>
</tr>
<tr>
<td>2006</td>
<td>58.35</td>
<td>44.78</td>
<td>76.74</td>
<td>13.57</td>
<td>23.26</td>
</tr>
<tr>
<td>2007</td>
<td>63.47</td>
<td>52.73</td>
<td>83.08</td>
<td>10.74</td>
<td>16.92</td>
</tr>
<tr>
<td>Overall</td>
<td>356.75</td>
<td>298.68</td>
<td>83.72</td>
<td>58.07</td>
<td>16.28</td>
</tr>
</tbody>
</table>


It is inferred from Table 4.8 that the demand in BDFCL ranged between Nu. 17.61 million and Nu. 63.47 million during the study period. The data shows a raise in demand position each year and the overall demand during the study period was Nu. 356.75 million. The collection from the beneficiaries was encouraging and the overall recovery rate was 83.72 per cent. The highest
recovery rate of 89.38 per cent was achieved in the year 1998. The lowest recovery rate of 76.74 per cent was found during the year 2006.

The overdue of Nu.13.57 million during 2006, followed by Nu.10.74 million during 2007, which were the highest during the study period. Rest of the study period it ranged between Nu.1.87 million and Nu.6.36 million. The overdue percentage 23.26 per cent during 2005 was the highest during the study period. The overdue percentage ranged between 10.62 per cent and 23.26 per cent.
Figure 4.7
Recovery Performance During the Period from 1998 to 2007

[Image of a line graph showing recovery performance from 1998 to 2007 with key: Demand (black), Collection (pink), Recovery Percentage (red), Overdue (cyan).]
The following Table 4.9 presents the average and stability of demand, collection and overdue of BDFCL.

**TABLE 4.9**

**AVERAGE AND STABILITY OF DEMAND, COLLECTION AND OVERDUE OF BDFCL DURING THE PERIOD FROM 1998 TO 2007**

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Particulars</th>
<th>Demand (Nu. in millions)</th>
<th>Collection (Nu. in millions)</th>
<th>Overdue (Nu. in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mean</td>
<td>35.67</td>
<td>29.87</td>
<td>5.91</td>
</tr>
<tr>
<td>2</td>
<td>S.D</td>
<td>16.03</td>
<td>12.61</td>
<td>3.62</td>
</tr>
<tr>
<td>3</td>
<td>C.V (%)</td>
<td>44.94</td>
<td>42.22</td>
<td>61.25</td>
</tr>
</tbody>
</table>

Source: Computed data.

Table 4.9 indicates that the average amount of demand, collection and overdue were Nu.35.67 million, Nu.29.87 million and Nu.5.91 million respectively. A fluctuation of 61.25 per cent was found in overdue whereas it was 44.94 per cent and 42.22 per cent in demand and collection respectively.

The computed results of trend and growth rates in demand, collection and overdue of BDFCL are given in Table 4.10.
TABLE 4.10
TREND AND GROWTH OF DEMAND, COLLECTION AND OVERDUE OF BDFCL

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Particulars</th>
<th>Trend co – efficient</th>
<th>CGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>1.</td>
<td>Demand</td>
<td>2.67</td>
<td>0.15 * (35.27)</td>
</tr>
<tr>
<td>2.</td>
<td>Collection</td>
<td>2.55</td>
<td>0.14 * (35.48)</td>
</tr>
<tr>
<td>3.</td>
<td>Overdue</td>
<td>0.59</td>
<td>0.19* (8.46)</td>
</tr>
</tbody>
</table>

Source: Computed data.

Figures in the brackets are t-value

Note : * Indicates that the trend co–efficient are statistically significant at 5 per cent level.

It is inferred from the table that the trend coefficient of demand, collection and overdue are statistically significant at 5 per cent level. The demand, collection and overdue are increasing at the rate 0.15 per cent, 0.14 per cent and 0.19 per cent respectively. The growth was found to be high in overdue with 20.10 per cent, followed by demand and collection with 15.99 per cent and 14.86 per cent respectively.
The analysis undertaken in this chapter may be summarized as follows:

Regarding the income generation after getting the loan under BDFCL sponsored programme under GGLS Scheme, it is proved that the highest increase in per capita income was found in the income group of Nu.3000-4000, followed by the income group of “Nu. 2000-3000”. The increase in the income group “below Nu. 2000” and “Nu. 4000-5000” was 33.83 per cent and 25.37 per cent respectively.

The sector-wise impact on per capita income was found to be the highest in industrial activities followed by non-industrial activities and overall, the increase in per capita income was 52.22 per cent, 47.83 per cent and 26.66 per cent in the industrial and non-industrial activities, and overall respectively.

In the case of asset position, after getting the loan under GGLS Scheme, the position of the beneficiaries under the asset group “Nu..20,000–Rs.30,000” has improved and it is followed by the asset group “below Nu..20,000”, “Nu..30,000-Nu..40,000” and Nu..40,000 and above. The overall average per capita income in the post-loan period has increased to 42.51 per cent.

The percentage increase in the asset position of the beneficiaries after getting the loan was 65.73 per cent, 57.32 per cent and 49.46 per cent in the asset
group Nu. 20,000 – Rs. 30,000 below Rs. 20,000 and Nu. 30,000 to Nu. 40,000 respectively. The activity-wise increase in asset position was found to be the highest in the case of non-agricultural activity followed by agricultural and allied activities.

Regarding the employment generation, the average mandays generated among the family members and also with regard to hired hands were found to be the highest in the per capita income group “Nu. 2000 – Nu. 4000”. Among the activities, the industrial activity was provided more number of mandays both within the family and hired labourers.

Regarding the identification of the factors which influence the repayment of loans, the regression results of the Table 4.7 proves that the variables, “the loan amount received” and “the number of instalments” had significant effect on the repayment of loan under government sponsored programmes under the Lead Bank Scheme. The co-efficient of variable “the loan amount received” had a positive effect on the repayment of loan whereas “the number of instalments” showed a negative relation to the repayment in all the three categories.

Regarding the overdues, the main reasons for non-payment of loan listed by the beneficiaries were due to severe competition, lack of demand for their products, hike in price of essential commodities and unforeseen household expenditure.
It could also be observed that the reasons for low recovery of loan were misutilisation and diversion of funds, family expenditure and inadequate staff in the banks to follow up recovery of loans.