CHAPTER VI

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

6.1 INTRODUCTION

The banking sector of the Bhutan has a crucial role to play in all economic and commercial pursuits. It serves as the engine of growth and development. The very morphology and functional desiderata of the banking sector have been undergoing changes for the better consistency and continuing over the years. A number of novel and innovative schemes and programmes have been designed and implemented by the Bhutan Development Finance Corporation Limited (BDFCL) and it plays a strategic role in the Bhutan economy.

The specific objectives of the study are: to analyse and compare the trend and growth of advances made by the BDFCL under different schemes, to find out the trend in demand, collection and recovery position of the BDFCL, to evaluate the impact of credit schemes on the beneficiaries before and after availing of the bank credit in terms of income, asset and employment generation, to analyse repayment and recovery performance and the views of the bankers and the beneficiaries and to offer suggestions on the basis of the findings of the study.

Based on the above mentioned objectives, the following findings are summarised below:
6.2. FINDINGS

Regarding the trend analysis, the co-efficient for all the operational variables are statistically significant at 5 per cent level. It implies that on an average amount of disbursement, assets, loan outstanding, profit/loss, reserves and surplus, number of beneficiaries, number of employees, loan per employee for head office and loan per employee for branch office have been increasing at the rate of Nu.51.764, Nu.121.405, Nu.122.024, Nu. 9.049, Nu.47.573, 379.090, 1.715, Nu.1048505.709 and Nu.457154.333 per annum respectively.

The nature and operation of the corporation is entirely different from other types of business and hence the application of the traditional ratios does not provide any correct results. In this situation, the researcher has identified 24 important and relevant financial ratios related to the present study and with the help of these ratios the financial performance of the corporation has been studied.

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 regression results that in all the three categories, namely, industrial, non-industrial and overall categories, 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 faller, which influences the repayment of loan.

It is found 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 2006 was the highest during the study period. The overdue percentage ranged between 10.62 per cent and 23.26 per cent. 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.
It is inferred 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.

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 domestic 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.

It is observed that 71.20 per cent of borrowers have a medium level of satisfaction, while 12.80 per cent have high level and 16.00 per cent have a low level of satisfaction regarding the lending services of the BDFCL.

Regarding the Factor Analysis, the following factors were found to identify the borrowers’ attitude towards the performance of BDFCL: ‘The loan application of the bank is short and it elicits only the information required for the grant of
loan’, ‘margin money fixed by the bank is too high and borrowers find it difficult to pay the margin money’, ‘the repayment schedules fixed by the bank are always unrealistic’, ‘the amount sanctioned by the bank is always less than the required amount, thereby causing financial problems’ and ‘the investment limit of Nu. one crore in plant and machinery for a borrower affects the share of financial assistance from the financial institutions’ are the variables influencing the attitude of the borrowers to the lending services of the Bhutan Development Finance Corporation Limited.

Factors like the age of the entrepreneurs, the education of the entrepreneurs and type of industry do not influence the level of satisfaction of the borrowers.

Factors like the area of the plant location, the nature of the organisation and years of existence of the units have influenced the level of satisfaction of the borrowers regarding the lending services of the BDFCL.

The researcher has attempted to analyse the views of employees of the bank regarding its working performance. For this purpose, 60 sample respondents were selected. To analyse the views, Garrett Ranking Technique was applied. The respondents expressed their views on the various functions of the Corporation. Their views are very important for the future policy of the Corporation.
6.3. SUGGESTIONS

For increasing the advances made by the BDFCL and for better implementation of various schemes the following suggestions are offered:

- Whenever the Government launches schemes for the upliftment of the marginalized people, it is the people who are well off jump to their feet. They manage to have the lion’s share by hook or by crook. As a result, the people who are in need of the financial help are pushed aside.

- The officials of the Corporation should have a say whenever new schemes are introduced. They should be given an opportunity to study the feasibility and viability of the schemes. The Government should try to implement the schemes only after the green signal is given by the bank officials.

- In spite of their best efforts, the Corporation find it difficult to know correctly the background of the applicants.

- In order to improve the repayment of the loan amount, the amount should be linked to the prompt repayment of the loan. The honest repayers may be encouraged by offering them more subsidy. At the same time, the amount of subsidy should be reduced to the defaulters. Under no circumstances should any subsidy be given to the wilful defaulters. This will have a salutary effect on the wilful defaulters.
While processing the application for loans, the Corporation officials should look into the real needs of the applicants. Those who need really more must be given more. They should not be given less. At the same time, those who do not really need should not be given what they ask for. If the former is given less or if the latter is given more, it will not only impair the success of the schemes but also affect the recovery of the loan.

In stead of giving loans to individuals, the Government may explore the possibility of giving loans to joint ventures of the youth. To begin with, one or two joint ventures may be selected and provided with loans in every block.

As micro finance is recognised as a powerful tool in accelerating the socio-economic development of the most disadvantaged segment of the society, the GGLS should be strengthened for further outreach of the inferior places in the country.

The BDFCL should strengthen the monitoring of GGLS to evaluate funds utilisation of the borrowers and to give valuable suggestions.

6.4. CONCLUSION

The researcher is able to move up to this concluding section after mopping up of resourceful inputs relating to the subject chosen for this research study. It is also with a sense of satisfaction since a local problem has been researched by
employing the art and science of investigation at the micro and the macro levels well within the scope of the study. Though a few problems and areas may lie a little insignificantly the synthetic, analytical framework has been kept alive and intact throughout the process of the throwing light.

Certain technical and human bias based on difficulties of retrieval and recall might have crept in but they have been suitably neutralised and held at the safe limits in order to achieve objective observation of facts. The chapters analytical frames and logical illustrations as well as inference enjoy the required sequential stamina and stress.

On the basis of the data analysed and interpreted one is able to understand the degree of objectivity and thoroughness with which the Corporation officials function and achieve. They deserve special mention in this context. Educating the common masses in banking activities needs lot of courage and confidence, which are strengthened by the nature of co-operation extended by the beneficiaries. Parties concerned work and serve with skill and will. Still a few areas evade inspection and introspection.

In fine, it can be humbly felt that this fact finding exercise has proved to be an academic joy and valuable addition to the fund of rewarding knowledge in this area. One can become highly optimistic that the suggestions advanced in this study are bound to pave the way for greater success.
6.5. **SCOPE FOR FURTHER RESEARCH**

This work provides potentiality and scientific scope for further research in many other related areas. To name a few:

- Performance evaluation of sector-wise Bank’s financial assistance in Bhutan.

- Comparative study of different schemes of financial assistance of Bhutan Development Finance Corporation Limited.

- Evaluation of any specific scheme of financial assistance.

- ‘Non-Performing Assets’ – A Study with Special Reference to Bhutan Development Finance Corporation Limited.