Economic Performance, Cost Structure, and Programme Placement of Bank Branches in Pakistan

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INTRODUCTION

Credit is an important instrument in enabling farmers to acquire command over the use of working capital, fixed capital and consumption goods. In the wake of the Green Revolution, credit requirements have increased for both inputs for crop production and farm investment. The small farmers, with a limited ability to finance investment, are the logical target group for loans advanced by the credit institutions. In view of the large credit requirements for lumpy investments, large farmers also need to be served by the credit system. Due to the important and increasing role of the non-farm sector as a source of employment in rural areas, the need to cater to credit requirements of this sub-sector has also been a motivating factor for the reorientation of the rural credit system in Pakistan.

Rural credit markets in Pakistan, as in other developing countries, are characterised by the co-existence of formal and informal sources of credit. The formal sources comprise commercial banks, cooperative credit societies and rural development financial institutions. The informal sources include a wide variety of lenders in the villages and surrounding towns. Transactions in the credit market are rule-based and regulated, to some degree, by the state as compared to transactions in the informal market that are of a personalized nature and are not regulated. The basic distinctions between formal and informal credit sources translate into a divergence in interest rates charged by different types of lenders. The characterization of rural credit market being a segmented one refers to the existence of two distinct types of lenders implying a differential access of borrowers to the two sources of credit.

A striking feature has been the exclusion of large sections of the population, particularly small farmers, agricultural labourers, artisans and poor peasants, from access to the network of formal credit institutions. Usually, these sections of population do not have access to the institutional credit because they do not possess adequate collateral. Formal institutions are reluctant to lend without adequate collateral. Lending to small farmers also is a costly proposition for the formal lending institutions.

An improved financial market would not only lower the risk of lending to the small farmers but also make loans available for non-farm activities. It has also been observed that most of the rural households are credit constrained and the contribution of the institutional sources in providing credit is very low as only one-

third of them obtain loans and 10 percent of them borrow from the institutional sources. Most of the institutional sources usually lend for production and investment purposes and ignore the consumption requirements, while non-institutional sources provide loans for consumption.

To meet the credit needs of farmers, Government of Pakistan (GOP) has set up a myriad of credit institutions and has taken many other policy initiatives. Among these measures, the most important one was the establishment of the Agricultural Development Bank of Pakistan (ADBP) by merging the Agricultural Development Finance Corporation with the Agriculture Bank of Pakistan in 1963. Secondly, GOP also forced the commercial banks to channelise a designated amount of credit to rural population by fixing mandatory targets for each of the five major commercial banks. Thirdly, several types of special innovation schemes were introduced through which the credit was to be disbursed to the target population.

Credit institutions vary considerably with respect to their sources of funds. The commercial banks depend entirely on their deposits. All other institutions, though not barred from deposit mobilisation, have depended on refinancing from the State Bank of Pakistan and/or foreign financial institutions. The ADBP has borrowed extensively from the World Bank, the Asian Development Bank, the International Fund for Agricultural Development and the State Bank of Pakistan. The Federal Bank for Cooperatives has depended exclusively on the State Bank of Pakistan. The failure to mobilize deposits is partly due to the policy of financial suppression adopted in Pakistan but largely due to abundant and cheap refinancing facilities made available to the credit institutions by the government. Strict limits on the rate of interest on deposits of different kinds and the availability of financial instruments offering high returns like Defense Savings Certificates explain poor deposit mobilisation by commercial banks. Availability of cheap refinancing facilities as a part of the credit planning exercise by the State Bank of Pakistan has discouraged the Cooperative Societies and the ADBP in their efforts to mobilize deposits from their clients.

The provision of funds by the State Bank to financial institutions at low rates for on-lending was meant to provide the loans at subsidized rates to farmers. The rate of interest on agricultural loans has been fixed lower than the rate of interest for commercial and industrial loans. Production loans to small farmers up to a limit for some years were granted free of any interest. Loans for this purpose still contain an element of subsidization. Loans for medium-term and long-term interest also contain some element of concession. Rates of interest on different types of loans have remained fixed. In the face of inflation, real rates of interest have been low and, for some years, negative. The subsidy on agricultural loans was meant to lower the cost of inputs and farm investment to enable farmers to adopt modern inputs and purchase farm machinery.

The creation of new credit institutions notwithstanding there are large unmet

credit needs of various categories of rural household as has been pointed out by several researchers concentrating mostly on the demand side analysis. Qureshi (1992) found that the limited access of small farmers to the sources of credit was an important factor in the slow pace of rural development in Pakistan.

The demand side of the literature on credit overlooks the constraining factors that emanate from the supply side of the credit market. The development of sustainable credit institutions is important for providing credit in support of rural development. The present study aims to bridge the research gap by examining the operation of commercial banks and the Agricultural Development Bank of Pakistan.[1] The broad objectives of the study is to assess the financial and economic sustainability for each type of lending institution.

The study is divided in six chapters. The introductory chapter sets out research issues, type of data used and the strategy used in the data collection and data analysis. Chapter 2 provides a detailed descriptive profile of the Agricultural Development Bank of Pakistan (ADBP) using branch level and aggregate programme-level data. Chapter 3 deals with the important issue of sustainability of the ADBP. The assessment is carried out in terms of Subsidy Dependence Index (SDI). Chapter 4 provides an analysis of the cost structure of bank branches of both ADBP and commercial bank branches in terms of translog cost functions from the branch level data. Using relevant control variables, economies of scale are estimated. Chapter 5 investigates the determinants of bank branch location in terms of area specific characteristics such as agroclimatic environment and physical infrastructure. This exercise is carried out for ADBP as well as for all the five commercial banks. The final chapter summarizes the main findings and outlines the policy directions helpful in redesigning the formal credit institutions so that financial and economic sustainability for these institutions is ensured.

1.1. Data Sources, Sample Selection, Questionnaires and Data Analysis

The data used in the study are diverse and covers many aspects. Financial information as well as performance-related data such as number of staff working in banks were obtained through structured questionnaires. The programme-level information for ADBP was obtained from its Head Office in Islamabad. The branch-level questionnaires for ADBP and the National Bank of Pakistan were sent through the respective Head Offices to be filled up at the branch offices. Two consulting firms were assigned the task of filling the questionnaires for the ADBP and National Bank branches respectively. The instructions from the State Bank of Pakistan to the Head Offices of the banks to provide information for the study were instrumental in persuading bank managers to cooperate in the data collection.

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[1]Two companion studies, dealing with cooperative societies and informal lenders, examine at some length the operation of these two types of lending institutions in Pakistan.

1.2. Sampling Methodology

Sample Size for the ADBP

Appropriate sample size of a survey is very important to get reliable and meaningful results. There are two major types of formal institutions who disburse credit in rural areas of Pakistan: (i) Agricultural Development Bank of Pakistan; and (ii) Commercial Banks. Keeping in view the important role of ADBP in supply of rural credit, it was decided to draw fifty percent sample of the ADBP branches. As there are about 350 branches of ADBP, 175 branches were included in the sample for ADBP. In view of the need to have enough observations for the placement decision of ADBP branches, it was decided to have a complete census of the ADBP branches.

Selection of the Commercial Bank and the
Sample Size for Commercial Bank Branches

Methodology for selecting the commercial bank and determining the number of branches of the commercial bank to be included in the sample is based on the loan disbursed by the banks during last five years. Only those banks are included in the sample design whom State Bank of Pakistan (SBP) grants mandatory agricultural credit targets. The five banks in the sample design were National Bank of Pakistan (NBP), Habib Bank Limited (HBL), United Bank Limited (UBL), Allied Bank Limited (ABL), and Muslim Commercial Bank (MCB).

The average five years share ratio of loan disbursed by each bank is 17.2 for ABL, 9.69 for HBL, 4,89 for MCB, 45.42 for NBP and 22.53 for UBL. In view of the dominant share of the National Bank of Pakistan in the disbursement of loans, this bank was chosen for the analysis.

Province-wise Sample Size

The distribution of branches amongst four provinces is based on the methodology adopted by Applied Economic Research Centre (AERC) and Punjab Economic Research Institute (PERI) for selection of Tehsils for household survey and Informal Credit Market Study. The ratio they used is the cultivated area in each province which is 56.4 percent in Punjab including AJK, 26.8 percent in Sindh, 8.8 percent in NWFP, and 8.0 percent in Balochistan. Using these ratios, Province's sample size was determined.

1.3. Preparation of Survey Instruments

(a) Preparation of Questionnaire

The crucial step was to develop a questionnaire for obtaining financial and other pertinent information from the bank branches. For this propose, several

sessions of technical committee[2] were held. A general consensus was reached that the questionnaire should contain information on:

- Branch characteristics;
- Employee's profile;
- Information on Accounts;
- Saving mobilization;
- Income and Expenditure of the Branch;
- Information on the bank performance with regard to loans;
- Information on type of collateral;
- Repayment experience;
- Balance sheet.

(b) *Pretesting of Questionnaire*

The questionnaires should not only be complete in every respect, but it should also contain questions for which it is feasible to collect data. The Questionnaires were pre-tested before the finalization. In the light of the pretested questionnaires, minor revisions were made in those questions which were not clear for eliciting information.

(c) *Editing and Coding the Questionnaires*

The objective of this phase is to assign codes to open ended questions and make consistent the invalid response. If it was not possible, the response was deleted. Field editing was done by staff of the consulting firms with the help of the staff of bank branches. The office editing of the completed questionnaires was done at PIDE.

(d) *Data Entry Programmes and Preparation of Data Files*

Since a limited time was available to conduct and analyse the data, many tasks were carried out simultaneously. At this stage when the data collection and editing of questionnaires work was in progress, it was decided to enter the data in the computer and prepare the data files. To accomplish this, an integrated data entry program was prepared and subsequently data entry was started. To remove the data entry errors and to make data files as consistent as possible, a thorough review of data was also undertaken by using frequencies and cross tables.

The financial information gathered from the survey was supplemented by district level data on different aspects of infrastructure and agro-climatic variables. District level data on Irrigated Area and Road Length were collected from various issues of Provincial Development Statistics published by Governments of Punjab,

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[2]The Technical Committee had a broad membership. It included representatives from State Bank of Pakistan, World Bank, PIDE, AERC and PERI.

Sindh and NWFP. Data on Rainfall, Temperature and Humidity were collected from the Pakistan Metrological Department, Government of Pakistan. District level data on the number of rural bank branches were obtained from unpublished reports of the State Bank of Pakistan and the Agricultural Development Bank of Pakistan. A-post-enumeration survey of the ADBP branches was conducted by the Resident Mission of the World Bank in Pakistan. Data for two branches was collected. The comparison of the data collected with the data from the original survey revealed complete correspondence of data from the two sources.

Chapter 2

A DESCRIPTIVE PROFILE OF THE ADBP

2.1. Introduction

This chapter provides a brief description of the banking operations of the Agricultural Development Bank of Pakistan with a view to identifying key analytical and policy issues. In particular, we discuss its income and expenditure accounts, examine its recovery performance, and spell out various dimensions of its credit disbursements and deposit mobilization. In addition, we highlight some important branch level characteristics, using the information obtained from a survey of bank branches of the ADBP.

2.2. Income and Expenditure Accounts

Table 2.1 provides a detailed description of the income and expenditure accounts of the ADBP. The table shows that the bank's total expenditure fluctuated between Rs. 2,670 million and Rs. 4,712 million during the period 1991 to 1996, registering an average annual growth rate of 10.47 percent. Interest payment on deposits and borrowings grew at an average annual growth rate of 10.95 percent during the period 1991 to 1996, increasing from Rs. 1,721 million in 1991 to Rs. 2,894 million in 1996. Salaries, allowances and other benefits increased from Rs. 726 million in 1991 to Rs. 1,231 million in 1996, depicting an average annual growth rate of 11.12 percent. Interest payment on deposits and borrowings accounted for a large proportion of total expenditure, followed by salaries, allowances and other benefits. The share of interest payment on deposits and borrowings in total expenses ranged from 57.65 percent to 66.84 percent during the period 1991 to 1996, while the share of salaries and allowances stayed between 23.24 percent and 28.74 percent during the same period. The table shows that the bank's total income varied between Rs. 2,822 million and Rs. 4,908 million during the period 1991 to 1996, recording an average annual growth rate of 10.96 percent. Interest earnings, which constituted more than 90 percent of total income, increased from Rs. 2,755 million in 1991 to Rs. 4,636 million in 1996.

2.3. Credit Operations

Table 2.2 provides data on agricultural credit disbursed and the corresponding loan targets. Agricultural credit increased from Rs. 3,131 million in 1983-84 to Rs. 14,138 million in 1994-95. Except for the years 1990-91, 1991-92,

Table 2.1

Year-wise Income and Expenditure Accounts as on 30th June

(Million Rs.)

	1991		1992		1993		1994		1995		1996	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Expenses	2794.34	100.00	2669.89 (−4.45)	100.00	3367.78 (26.14)	100.00	4585.98 (36.17)	100.00	4712.32 (2.75)	100.00	4597.15 (−2.44)	100.00
Interest on Deposits/ Borrowing and Return	1721.47	61.61	1539.48 (−10.57)	57.66	2223.92 (44.46)	66.04	2987.45 (34.33)	65.14	3149.38 (5.42)	66.83	2894.01 (−8.11)	62.95
Salaries, Allowances & Other Benefits	726.64	26.00	767.35 (5.60)	28.74	782.64 (1.99)	23.24	1184.59 (51.36)	25.83	1127.77 (−4.80)	23.93	1231.26 (9.81)	26.78
Traveling Expenses	45.49	1.63	44.63	1.67	48.86	1.45	49.36	1.08	52.31	1.11	55.08	1.20
Directors Fees & Allowances	0.06	0.00	0.10	0.00	0.15	0.00	0.02	0.00	0.09	0.00	0.21	0.00
Rent, Taxes, Insurance Lighting etc.	75.47	2.70	95.90	3.59	89.04	2.64	115.57	2.52	114.74	2.43	139.01	3.02
Law Charges	1.73	0.06	1.97	0.07	4.86	0.14	2.81	0.06	2.09	0.04	2.01	0.04
Auditors Fees	0.32	0.01	0.37	0.01	0.37	0.01	0.37	0.01	0.39	0.01	0.48	0.01
Postages, Telegrams & Telephones	24.92	0.89	31.32	1.17	37.46	1.11	31.80	0.69	39.93	0.85	41.59	0.90
Stationery, Printing & Advertisement	22.32	0.80	22.61	0.85	16.19	0.48	21.94	0.48	23.45	0.50	24.76	0.54
Depreciation and Repairs to Bank's Property	80.82	2.89	74.73	2.80	84.35	2.50	99.79	2.18	95.53	2.03	89.45	1.95
Other Expenditure	95.10	3.40	91.42	3.42	79.94	2.37	92.27	2.01	106.63	2.26	119.30	2.60
Income	2909.19	100.00	2822.32 (−2.99)	100.00	3557.02 (26.03)	100.00	4778.59 (34.34)	100.00	4907.73 (2.70)	100.00	4790.74 (−2.38)	100.00
Interest, Discount and/or Return	2755.97	94.73	2666.86 (−3.23)	94.49	3400.20 (27.50)	95.59	4546.56 (33.71)	95.14	4669.11 (2.70)	95.14	4636.38 (−0.70)	96.78
Commission	43.70	1.50	28.29	1.00	12.19	0.34	33.50	0.70	27.66	0.56	29.32	0.61
Rent	1.27	0.04	0.05	0.00	0.03	0.00	0.04	0.00	0.03	0.00	0.09	0.00
Other Receipts	108.25	3.72	127.13	4.50	144.61	4.07	198.48	4.15	210.93	4.30	124.95	2.61

Source: Agricultural Development Bank of Pakistan: Annual Reports.

Note: Figures in parentheses are growth rates.

Table 2.2

Agricultural Credit: Targets and Disbursements

| Years | Million Rs. | | Disbursement as % of |
	Target	Disbursement	Targets
1983-84	2846.00	3131.00	110.00
1984-85	3316.00	3821.00	115.20
1985-86	4132.00	5217.00	126.30
1986-87	4200.00	5939.00	141.40
1987-88	6215.00	9598.00	122.30
1988-89	7160.00	8526.00	119.10
1989-90	8225.00	9271.00	112.70
1990-91	7940.00	7736.00	97.40
1991-92	9000.00	6490.00	72.10
1992-93	6320.00	7985.00	126.30
1993-94	10200.00	8702.00	85.30
1994-95	14190.00	14138.00	99.38

Source: Agricultural Development Bank of Pakistan: Annual Report.

1993-94 and 1994-95, the bank exceeded its loan targets. Table 2.3 provides details on term-wise composition of loans disbursed. Short term loans showed wide fluctuations during the period 1991 to 1996. These loans increased from Rs. 2,514 million in 1991 to Rs. 6,147 million in 1996, showing an average annual growth rate of 19.57 percent. Medium term loans increased from Rs. 1,310 million in 1991 to Rs. 1,765.18 million in 1994 and then declined to Rs. 562 million in 1996. On average, medium term loans declined at the rate of 15.56 percent during the period 1991 to 1996. Long term loans followed a mixed trend during the period 1991 to 1996, showing an average annual growth rate of 4.20 percent. The share of short term loans in total disbursements varied between 24.53 percent and 59.45 percent during the period 1991 to 1996, the highest figure corresponding to the year 1996. The share of medium term loans stood at 15.75 percent in 1991, increasing to 19.64 percent in 1994. This figure then sharply declined to 5.44 percent in 1996. The share of long term loans in total disbursement followed a variable pattern over time, declining from 54.05 percent in 1991 to 35.10 percent in 1996.

Tables 2.4 and 2.5 respectively provide information on agricultural credit disbursed by purpose and by size of holding. According to Table 2.4, total agricultural credit increased from Rs. 7,736.05 million in 1991 to Rs. 10,253.87 million in 1996, showing an average annual growth rate of 5.80 percent. Two major categories of agricultural credit are development loans and production loans. While development loans declined from Rs. 5,291.81 million in 1991 to Rs. 4,110.18 million in 1996, production loans increased from Rs. 2,444.25 million in 1991 to Rs. 6,143.69 million in 1996, registering an average annual growth rate of 20.24

Table 2.3

Term-wise Composition of Loans Disbursed

(Million Rs.)

Terms	1991 Amount	% of Total	1992 Amount	% of Total	1993 Amount	% of Total	1994 Amount	% of Total	1995 Amount	% of Total	1996 Amount	% of Total	Average Annual Growth Rates (%) (1991–1996)
Short Term	**2514.48**	**30.21**	**3112.48** (23.78)	**44.49**	**3037.82** (−2.40)	**35.15**	**2205.13** (−27.41)	**24.53**	**6238.84** (182.92)	**42.80**	**6147.19** (−1.47)	**59.45**	**19.57**
Agricultural credit	2444.25	29.36	3042.98	43.49	2992.06	34.62	2201.28	24.49	6182.24	42.41	6143.69	59.42	20.24
Project loans	70.23	0.84	69.51	0.99	45.76	0.53	3.85	0.04	56.60	0.39	3.50		−45.10
Medium Term	**1310.75**	**15.75**	**903.07** (−31.10)	**12.91**	**815.09** (−9.74)	**9.43**	**1765.18** (116.56)	**19.64**	**1627.80** (−7.78)	**11.17**	**562.57** (−65.44)	**5.44**	**−15.56**
Agricultural Credit	1247.74	14.99	903.07	12.91	815.09	9.43	1765.18	19.64	1627.80	11.17	562.57	5.44	−14.72
Project loans	63.00	0.76	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Long Term	**4498.72**	**54.05**	**2980.88** (−33.74)	**42.61**	**4790.50** (60.71)	**55.42**	**5018.94** (4.77)	**55.83**	**6709.09** (33.68)	**46.03**	**3629.52** (−45.90)	**35.10**	**−4.20**
Agricultural credit	4044.06	48.58	2543.95	36.36	4178.10	48.34	4735.54	52.68	6328.37	43.42	3547.61	34.31	−2.58
Project loans	454.66	5.46	436.93	6.25	612.39	7.09	283.40	3.15	380.72	2.61	81.90	0.79	−29.02
All Term													
Agricultural credit	7736.05	92.94	6489.99	92.76	7985.25	92.39	8702.00	96.80	14138.41	97.00	10253.87	99.17	5.80
Project loans	587.90	7.06	506.43	7.24	658.15	7.61	287.25	3.20	437.32	3.00	85.40	0.83	−32.01
Total Loans Disbursed	**8323.95**	**100.00**	**6996.43** (−15.95)	**100.00**	**8643.41** (23.54)	**100.00**	**8989.25** (4.00)	**100.00**	**14575.74** (62.15)	**100.00**	**10339.27** (−29.07)	**100.00**	**4.43**

Source: Agricultural Development Bank of Pakistan: Annual Reports.

Note: Figures in parentheses are growth rates.

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Table 2.4

Year-wise Agricultural Credit Disbursed by Purpose

(Million Rs.)

	1991		1992		1993		1994		1995		1996	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Development Loan	**5291.81** (−34.86)	**68.40**	**3447.01** (−34.86)	**53.11**	**4993.18** (44.86)	**62.53**	**6500.73** (30.19)	**74.70**	**7956.17** (22.39)	**56.27**	**4110.18** (−48.34)	**40.08**
Tractor	2650.30	34.26	1742.68	26.85	3548.01	44.43	4071.55	46.79	5029.80	35.58	3261.61	31.81
Dairy farming	818.98	10.59	610.24	9.40	453.07	5.67	1229.33	14.13	1050.16	7.43	424.96	4.14
Farm equipment	500.35	6.47	367.16	5.66	304.75	3.82	296.53	3.41	382.75	2.71	74.24	0.72
Tubewells	564.28	7.29	304.83	4.70	252.01	3.16	294.12	3.38	693.71	4.91	173.34	1.69
Livestock	184.34	2.38	140.06	2.16	212.63	2.66	309.49	3.56	221.84	1.57	43.21	0.42
Poultry Farming	174.47	2.26	92.16	1.42	38.68	0.48	34.20	0.39	73.21	0.52	18.16	0.18
Orchards	0.00	0.00	0.00	0.00	36.61	0.46	63.60	0.73	157.96	1.12	18.11	0.18
Land development	0.00	0.00	0.00	0.00	10.87	0.14	11.14	0.13	40.56	0.29	7.03	0.07
Fisheries	71.72	0.93	33.59	0.52	6.96	0.09	4.78	0.05	39.04	0.28	6.64	0.06
Farm transportation	57.62	0.74	29.23	0.45	1.94	0.02	0.64	0.01	1.17	0.01	16.73	0.16
Draught animals	0.37	0.00	1.60	0.02	0.99	0.01	0.74	0.01	0.11	0.00	0.00	0.00
Godown cold storage	1.47	0.02	0.71	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others	267.91	3.46	124.77	1.92	126.67	1.59	184.62	2.12	265.87	1.88	66.19	0.65

Continued—

Table 2.4—(*Continued*)

	1991		1992		1993		1994		1995		1996	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Production Loan	**2444.25**	**31.60**	**3042.98** (24.50)	**46.89**	**2992.06** (−1.67)	**37.47**	**2201.28** (−26.43)	**25.30**	**6182.24** (180.85)	**43.73**	**6143.69** (−0.62)	**59.92**
Fertilizer	1060.62	13.71	1348.23	20.77	1171.21	14:67	1093.76	12.57	3030.93	21.44	3161.00	30.83
Pesticides	699.29	9.04	967.02	14.90	701.17	8.78	527.72	6.06	1437.65	10.17	1445.44	14.10
Seeds	391.78	5.06	371.92	5.73	382.82	4.79	293.09	3.37	1067.29	7.55	1044.69	10.19
Labour hire & other charges	0.00	0.00	0.00	0.00	160.26	2.01	125.78	1.45	317.48	2.25	234.59	2.29
Working capital for poultry	45.79	0.59	56.37	0.87	46.38	0.58	30.30	0.35	52.94	0.37	17.85	0.17
Working capital for dairy	19.26	0.25	18.89	0.29	12.45	0.16	19.15	0.22	22.90	0.16	41.61	0.41
Working capital for livestock	0.00	0.00	1.47	0.02	4.06	0.05	0.56	0.01	3.38	0.02	3.72	0.04
Working capital for fisheries	0.53	0.01	0.51	0.01	2.20	0.03	1.37	0.02	1.88	0.01	0.32	0.00
Others	226.98	2.93	278.56	4.29	511.52	6.41	109.56	1.26	247.80	1.75	194.48	1.90
Total Agricultural credit	7736.05	100.00	6489.99 (−16.11)	100.00	7985.24 (23.04)	100.00	8702.01 (8.98)	100.00	14138.41 (62.47)	100.00	10253.87 (−27.48)	100.00

Source: Agricultural Development Bank of Pakistan: Annual Reports.

Note: Figures in parentheses are growth rates.

Table 2.5

Agricultural Credit Disbursed by Size of Holding

(Million Rs.)

Size of Holding	1991 Amount	% of Total	1992 Amount	% of Total	1993 Amount	% of Total	1994 Amount	% of Total	1995 Amount	% of Total	1996 Amount	% of Total
A: Landless	52.13	0.67	30.19 (−42.08)	0.47	43.38 (43.67)	0.54	2300.51 (5203.51)	26.44	2328.91 (1.23)	16.47	1670.91 (−28.25)	16.30
Surety Loans	1.15	0.01	1.05	0.02	3.51	0.04	4.62	0.05	4.50	0.03	0.00	0.00
Other Loans	50.98	0.66	29.14	0.45	39.87	0.50	2295.88	26.38	2324.41	16.44	0.00	0.00
B: Owners	7683.92	99.33	6459.80 (−15.93)	99.53	7941.88 (22.94)	99.46	6401.50 (−19.40)	73.56	11809.50 (84.48)	83.53	8582.96 (−27.32)	83.70
<5.1 Hectars (<12.5 Acres)	3241.89	41.91	2039.41	3w42	1643.15	20.58	1101.92	12.66	4455.79	31.52	3646.61	35.56
5.1 to <6.5 Hectars (12.5 to <16 Acres)	742.70	9.60	915.66	14.11	1059.40	13.27	646.94	7.43	2093.66	14.81	1320.51	12.88
6.5 to <10.5 Hectars (16 to <25 Acres)	1069.39	13.82	1006.29	15.51	1133.49	14.19	723.11	8.31	2100.17	14.85	1458.03	14.22
10.5 to <13 Hectars (25 to <32 Acres)	533.40	6.90	458.52	7.07	558.19	6.99	417.20	4.79	849.62	6.01	542.51	5.29
13 to <20.2 Hectars (32 to <50 Acres)	718.03	9.28	632.51	9.75	843.92	10.57	673.62	7.74	1037.43	7.34	735.78	7.18
20.2 to <26 Hectars (50 to <64 Acres)	405.91	5.25	385.17	5.93	490.90	6.15	366.05	4.21	444.39	3.14	293.51	2.86
26 to <40.5 Hectars (64 to <100 Acres)	438.74	5.67	408.65	6.30	709.33	8.88	609.25	7.00	455.73	3.22	586.02	5.72
40.5 Hectars and above (100 Acres & above)	533.86	6.90	613.60	9.45	1503.51	18.83	1863.40	21.41	372.72	2.64	0.00	0.00
Total Agricultural Credit	7736.05	100.00	6489.99 (−16.11)	100.00	7985.25 (23.04)	100.00	8702.00 (8.98)	100.00	14138.41 (62.47)	100.00	10253.87 (−27.48)	100.00

Source: Agricultural Development Bank of Pakistan: Anual Reports.

Note: Figures in parentheses are growth rates.

percent. The share of development loans in total agricultural credit varied between 40.08 percent and 74.70 percent during the period 1991 to 1996, the highest figure corresponding to the year 1994. The share of production loans in total agricultural credit increased from 31.60 percent in 1991 to 59.92 percent in 1996.

According to Table 2.5, agricultural credit to landless farmers rose substantially from Rs. 52.13 million in 1991 to Rs. 1,670.91 million in 1996, recording a hefty 200 percent average annual growth rate during the period 1991 to 1996. The table shows that agricultural credit to landless farmers on the basis of personal surety has been abysmally low during the period 1991 to 1996, while the proportion of other loans to landless farmers has risen substantially during the same period. Agricultural credit to land owners increased from Rs. 7,683.92 million in 1991 to Rs. 8,582.96 million in 1996, showing a modest average annual growth rate of 2.24 percent. A large proportion of total agricultural credit is disbursed to farmers with land holding of less than 12.5 acres.

Table 2.6 provides information on agricultural credit disbursed by size of loans. It is clear that a major proportion of agricultural credit has been in the range of Rs. 0.1 million to Rs. 0.5 million during the period 1991 to 1996. The share of loans within the range of Rs. 0.1 million to Rs. 0.2 million varied between 16.32 percent and 30.48 percent during the period 1991 to 1996, while the share of loans falling between Rs. 0.2 million and Rs. 0.5 million has stayed between 28.88 percent and 45.92 percent during the same period. Table 2.7 describes project loans by major purpose. Project loans have widely fluctuated over time, declining from Rs. 587.90 million in 1991 to Rs. 437.32 million in 1995. Project loans for the production of edible oilseeds constituted a large proportion of total project loans. The share of project loans for the production of edible oilseeds ranged from 25.36 percent to 37.17 percent during the period 1991 to 1996, the highest figure corresponding to the year 1992.

Table 2.8 sets out category-wise loan portfolio of the ADBP. Total loan portfolio of the ADBP grew at an average annual growth rate of 6.14 percent, increasing from Rs. 37,206 million in 1991 to Rs. 50,131 million in 1996. Agricultural credit increased from Rs. 31,588 million in 1991 to Rs. 41,255 million in 1996, depicting an average annual growth rate of 5.48 percent. Development credit increased from Rs. 27,756 million in 1991 to Rs. 33,458 million in 1996, while production credit increased from Rs. 3,832 million in 1991 to Rs. 77,967 million in 1996. Project loans grew at an average annual growth rate of 9.58 percent, rising from Rs. 5,618 million in 1991 to Rs. 8,876 million in 1996. The share of agricultural credit in total loan portfolio ranged from 78.20 percent to 84.90 percent during the period 1991 to 1996, while the share of project loans stayed between 15.10 percent and 21.8 percent during the same period.

Table 2.6

Agricultural Credit Disbursed by Size of Loans

(Million Rs.)

Size of Holding	1991		1992		1993		1994		1995		1996	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Upto Rs.10000	67.58	0.87	61.87	0.95	533.53	6.68	192.41	2.21	401.87	2.84	0.00	0.00
Rs.10001 to 25000	354.99	4.59	357.53	5.51	524.06	6.56	608.87	7.00	1457.27	10.31	651.92*	6.36
Rs. 25001 to 50000	1095.73	14.16	943.36	14.54	1067.87	13.37	1676.29	19.26	2806.68	19.85	1885.62	18.39
Rs. 50001 to 100000	1100.50	14.23	1127.86	17.38	916.01	11.47	1120.72	12.88	1881.43	13.31	1540.90	15.03
Rs. 100001 to 200000	1926.31	24.90	1509.74	23.26	1940.72	24.30	1021.83	11.74	2307.66	16.32	3124.89	30.48
Rs. 200001 to 500000	2850.19	36.84	2164.43	33.35	2900.54	36.32	3995.77	45.92	5187.09	36.69	2961.25	28.88
Rs. 500001 to 1000000	279.51	3.61	291.93	4.50	90.41	1.13	56.95	0.65	72.03	0.51	69.82	0.68
Above Rs. 1000000	61.23	0.79	33.28	0.51	12.12	0.15	29.15	0.34	24.39	0.17	19.46	0.19
Total Agricultural Credit	7736.05	100.00	6490.00 (−16.11)	100.00	7985.25 (23.04)	100.00	8702.00 (8.98)	100.00	14138.41 (62.47)	100.00	10253.86 (−27.48)	100.00

Source: Agricultural Development Bank of Pakistan: Anual Reports

Note: Figures in parentheses are growth rates.

* Corresponds to loan size of upto Rs 25000.00.

Table 2.7

Project Loans by Major Purpose

(Million Rs.)

Purpose	1991 Amount	1991 % of Total	1992 Amount	1992 % of Total	1993 Amount	1993 % of Total	1994 Amount	1994 % of Total	1995 Amount	1995 % of Total
Procurement of crop residue/agro industry waste	23.12	3.93	5.55	1.10	75.10	11.41	85.97	29.93	0.00	0.00
Production of edible oilseed crop/oil extraction	149.11	25.36	188.23	37.17	186.17	28.29	76.88	26.76	128.66	29.42
Manufacturing of farm Machinery/ Agricultural implements	10.54	1.79	5.28	1.04	36.28	5.51	64.08	22.31	0.00	0.00
Otheragro industries	16.41	2.79	22.50	4.44	31.60	4.80	20.61	7.17	5.91	1.35
Agro services	7.25	1.23	2.30	0.45	137.64	20.91	8.68	3.02	103.51	23.67
Food processing	12.66	2.15	16.91	3.34	7.58	1.15	7.88	2.74	37.32	8.53
Storage and marketing	38.14	6.49	9.21	1.82	5.23	0.79	6.25	2.18	4.38	1.00
Poultry production & procurement	0.00	0.00	55.96	11.05	27.11	4.12	5.66	1.97	0.00	0.00
Forestry plantation	0.00	0.00	17.18	3.39	22.50	3.42	5.15	1.79	3.76	0.86
Working capital loans	70.23	11.95	69.51	13.72	45.76	6.95	3.85	1.34	56.60	12.94
Live stock production & procurement	0.00	0.00	3.87	0.76	1.25	0.19	1.40	0.49	2.09	0.48
Procurement of dairy products	0.69	0.12	1.23	0.24	0.94	0.14	0.84	0.29	0.00	0.00
Dairy farm/Breeding of milch animals	109.94	18.70	19.86	3.92	0.64	0.10	0.01	0.00	0.00	0.00
Cum.cult.& proc.of all lucrative crops	24.79	4.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fisheries prod. & procurement	11.31	1.92	23.84	4.71	0.00	0.00	0.00	0.00	3.23	0.74
Poultry production & procurement	70.91	12.06	0.00	0.00	0.00	0.00	0.00	0.00	24.85	5.68
Production & procurement of fruit & vegetable	25.72	4.38	46.45	9.17	48.65	7.39	0.00	0.00	0.00	0.00
Packing material of liquid or other food	12.58	2.14	14.16	2.80	25.66	3.90	0.00	0.00	0.00	0.00
Production & formulation of ch. f/inputs	2.00	0.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Feed mills	2.50	0.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Seed multiplication & procurement	0.00	0.00	4.41	0.87	6.03	0.92	0.00	0.00	67.03	15.33
Total Project Loans	587.90	100.00	506.43 (−13.86)	100.00	658.15 (29.96)	100.00	287.25 (−56.36)	100.00	437.32 (52.24)	100.00

Source: Agricultural Development Bank of Pakistan: Annual Reports.

Note: Figures in parentheses are growth rates.

Table 2.8

Loan Portfolio: Category-wise as on June 30

(Million Rs.)

Category	1991 Amount	1991 % of Total	1992 Amount	1992 % of Total	1993 Amount	1993 % of Total	1994 Amount	1994 % of Total	1995 Amount	1995 % of Total	1996 Amount	1996 % of Total	Average Annual Growth Rates (%) (1991–1996)
Agricultural Credit	31588.00	84.90	30885.00 (−2.23)	82.50	32358.00 (4.77)	80.60	31503.00 (−2.64)	78.20	39630.00 (25.80)	82.50	41255.00 (4.10)	82.30	5.48
Development Credit	27756.00	74.60	26842.00 (−3.29)	71.70	28223.00 (5.14)	70.30	27313.00 (−3.22)	67.80	32809.00 (20.12)	68.30	33458.00 (1.98)	66.70	3.81
Production Credit	3832.00	10.30	4043.00 (5.51)	10.80	4135.00 (2.28)	10.30	4190.00 (1.33)	10.40	6821.00 (62.79)	14.20	7797.00 (14.31)	15.60	15.27
Project Loans	5618.00	15.10	6551.00 (16.61)	17.50	7786.00 (18.85)	19.40	8782.00 (12.79)	21.80	8406.00 (−4.28)	17.50	8876.00 (5.59)	17.70	9.58
Total Amount	37206.00	100.0	37436.00 (0.62)	100.0	40147.00 (7.24)	100.0	40285.00 (0.34)	100.0	48036.00 (19.24)	100.0	50131.00 (4.36)	100.00	6.14

Source: Agricultural Development Bank of Pakistan: Annual Reports.

Note: Figures in parentheses are growth rates.

2.4. Recovery Performance

Tables 2.9–2.11 highlight the recovery performance of the ADBP. Table 2.9 indicates that total recoverable amount increased from Rs. 13,169.10 million in 1991 to Rs. 28,555.60 million in 1996, whereas total recovery increased from Rs. 7,808.50 million to Rs. 12,758.50 million during the same period. Past dues increased from Rs. 5,360.50 million in 1991 to Rs. 8,945.70 million in 1995. As compared with 1995, past dues almost doubled in 1996, amounting to Rs. 15,797.00 million. The recovery ratio based on total recovery performance declined from 59.29 percent in 1991 to 44.68 percent in 1996.

Table 2.10 shows the recovery position of current dues. According to this table, current dues increased from Rs. 10,578.80 million in 1991 to Rs. 20,190.90 million in 1996. Reschedulement of loans amounted to Rs. 1,025.90 million in 1991, declining sharply to Rs. 320.20 million in 1992. This amount rose to Rs. 2,875.00 million in 1993, declining sharply to Rs. 396.70 million in 1996. The amount of loans written off fluctuated widely during the period 1991 to 1996. This amount stood at Rs. 15.90 million 1991, increasing sharply to Rs. 1,605.00 million in 1993. Thereafter, it declined to Rs. 80.40 million in 1996. Net current dues increased from Rs. 9,537.10 million in 1991 to Rs. 19,713.70 million in 1996, while recovery of current dues fluctuated between Rs. 5,222 million and Rs. 11,049.30 million during the period 1991 to 1996. Unrecovered current year's dues increased from Rs. 2,942.40 million in 1991 to Rs. 8,664.40 million in 1996. The recovery ratio calculated on the basis of current dues declined from 69.15 percent in 1991 to 56.00 percent in 1996.

Table 2.9

Total Recovery Position

(Million Rs.)

	1991	1992	1993	1994	1995	1996
Total Recoverable	13169.10	17233.50 (30.86)	14465.10 (−16.06)	19718.80 (36.32)	18755.90 (−4.88)	28555.60 (52.25)
Total Recovery	7808.50	9438.10 (20.87)	9019.10 (−4.44)	10613.60 (17.68)	9810.20 (−7.57)	12758.50 (30.05)
Past Dues as on 30th June	5360.50	7795.40 (45.42)	5446.00 (−30.14)	9105.20 (67.19)	8945.70 (−1.75)	15797.10 (76.59)
Recovery Ratio (Recovery as % total Recoverable)	59.29	54.77	62.35	53.82	52.30	44.68

Source: Agricultural Development Bank of Pakistan: Annual Reports.

Note: Figures in parentheses are growth rates.

Table 2.10

Recovery Position of Current Dues

(Million Rs.)

	1991	1992	1993	1994	1995	1996
Current Dues	10578.80	12401.30	14640.00	17375.20	13087.60	20190.90
		(17.23)	(18.05)	(18.68)	(−24.68)	(54.28)
Less Reschedulement	1025.90	320.20	2875.00	462.00	1540.80	396.70
Less amount Written Off, Remission	15.90	34.40	1605.00	45.90	439.60	80.40
Waiver of Interest (PM's Incentive)	0.00	0.00	0.00	1005.30	0.00	0.00
		12046.70	10159.00	15862.00	11107.10	19713.70
Net Current Dues	9537.10	(26.31)	(−15.67)	(56.14)	(−29.98)	(77.49)
		8008.00	5222.00	9107.70	7682.90	11049.30
Recovery	6594.60	(21.43)	(−34.79)	(74.41)	(−15.64)	(43.82)
Unrecovered Current Year's Dues as on 30th June	2942.40	4038.80 (37.26)	4937.00 (22.24)	6755.30 (36.83)	3424.30 (−49.31)	8664.40 (153.03)
Recovery Ratio (Recovery as % of Net Current Dues)	69.15	66.47	51.40	57.42	69.17	56.05

Source: Agricultural Development Bank of Pakistan: Annual Reports.

Note: Figures in parentheses are growth rates.

Table 2.11

Recovery Position of Past Dues

(Million Rs.)

	1991	1992	1993	1994	1995	1996
Past Dues as on 30th June	4207.20	5360.50 (27.41)	7798.00 (45.47)	5446.00 (−30.16)	9105.00 (67.19)	8945.70 (−1.75)
Adjustment of Reversal of Return on Past Dues	−13.40	−11.60	77.00	−231.00	1751.00	−2.80
Less Amount Transferred to Performa Ledger	0.20	3.50	5472.00	2.80	12.70	0.70
Less Amount Written Off, Remission	0.60	1.40	1141.00	5.00	4.50	18.50
Less Reschedulment	561.00	157.40	3259.00	210.00	3190.30	81.80
Waiver of Interest (PM's Incentive)	0.00	0.00	0.00	1140.30	0.00	0.00
		5186.70	4305.00	3856.80	7648.70	8841.90
Net Past Dues	3632.00	(42.81)	(−17.00)	(−10.41)	(98.32)	(15.60)
		1430.10	1576.00	1506.90	2127.30	1709.20
Recovery	1213.88	(17.81)	(10.20)	(−4.38)	(41.17)	(−19.65)
		3756.60	2729.00	2350.00	5521.40	7132.70
Balance of Past Dues	2418.11	(55.35)	(−27.35)	(−13.89)	(134.95)	(29.18)
Recovery Ratio (Recovery as % of net past dues)	33.42	27.57	36.61	39.07	27.81	19.33

Source: Agricultural Development Bank of Pakistan: Annual Reports.

Note: Figures in parentheses are growth rates.

Table 2.11 reviews recovery position of past dues. According to this table, the amount of past dues more than doubled during the period 1991 to 1996, increasing from Rs. 4,207.20 million in 1991 to Rs. 8,945.70 in 1996. Reschedulement of past dues declined from Rs. 561 million in 1991 to Rs. 81.80 million in 1996, rising as high as Rs. 3,259.00 million in the intervening period. Net past dues increased from Rs. 3,632 million in 1991 to Rs. 8,841.90 million in 1996. Recovery of past dues fluctuated between Rs. 1,213.88 million and Rs. 2,127.30 million during the period 1991 to 1996. Balance of past dues rose from Rs. 2,418.11 million in 1991 to Rs. 7,132.70 million in 1996. The recovery ratio calculated on the basis of recovery performance of past dues declined from 33.40 percent in 1991 to 19.30 percent in 1996.

2.5. Deposit Mobilization

Table 2.12 shows deposit mobilization by type of deposits. Total deposits fluctuated between Rs. 1,064.42 million and Rs. 3,466.60 million during the period 1991 to 1996, the highest figure corresponding to the year 1991. On average, total deposits declined at the rate of 9.60 percent during the period 1991 to 1996. Current deposits constituted a major proportion of total deposits. The share of current deposits in total deposits ranged from 19.99 percent to 57.31 percent during the period 1991 to 1996, the highest figure corresponding to the year.1994. The share of PLS saving accounts in total deposits fluctuated between 5.77 percent and 12.47 percent during the period 1991 to 1996, while the share of PLS terms deposits in total deposits ranged from 4.54 percent to 39.32 percent during the same period.

2.6. Sources of Funds

Table 2.13 provides information on year-wise sources of funds. Total borrowings of the ADBP steadily increased from Rs. 32,376.00 million in 1991 to Rs. 50,528.40 million in 1996, showing an average annual growth rate of 9.31 percent. It is evident that the State Bank of Pakistan has been the main provider of funds to the ADBP. The share of borrowings from the State Bank of Pakistan in total borrowings stayed between 74.06 percent and 79.13 percent during the period 1991 to 1996. Other foreign agencies that have provided funds to the ADBP include International Development Association, International Bank for Reconstruction and Development, Asian Development Bank, International Food and Agricultural Development, United States Agency for International Development, and OECF Japan.

2.7. Financial Indicators

Tables 2.14 and 2.15 highlight important financial indicators of the Agricultural Development Bank of Pakistan. Table 2.14 shows that the bank's

Table 2.12

Deposit Mobilization by Type of Deposits

(Million Rs.)

Type of Deposits	1991 Amount	1991 % of Total	1992 Amount	1992 % of Total	1993 Amount	1993 % of Total	1994 Amount	1994 % of Total	1995 Amount	1995 % of Total	1996 Amount	1996 % of Total
PLS Saving Accounts	203.01	5.86	152.02	8.36	132.73	12.47	124.25	10.94	144.60	5.77	129.04	6.17
			(−25.12)		(−12.69)		(−6.39)		(16.38)		(10.76)	
PLS Term Deposits	930.59	26.84	715.10	39.32	253.33	23.80	142.14	12.52	113.72	4.54	130.11	6.22
			(−23.16)		(−64.57)		(−43.89)		(−19.99)		(14.42)	
Short Notice Term Deposits	0.52	0.02	0.06	0.00	0.01	0.00	0.09	0.01	0.12	0.00	0.03	0.00
			(−88.08)		(−91.94)		(1700.00)		(31.11)		(−74.58)	
Fixed Deposits	3.01	0.09	0.41	0.02	0.21	0.02	0.16	0.01	0.07	0.00	0.10	0.00
			(−86.25)		(−49.28)		(−24.76)		(−53.16)		(29.73)	
Business Deposits	328.50	9.48	232.26	12.77	115.30	10.83	150.97		213.86	8.53	194.03	9.27
			(−29.30)		(−50.36)		(30.93)	13.30	(41.66)		(−9.27)	
Current Deposits	692.95	19.99	525.52	28.89	498.94	46.87	650.64	57.31	909.92	36.31	781.33	37.33
			(−24.16)		(−5.06)		(30.40)		(39.85)		(−14.13)	
Deposits for Obtaining Loans	3.30	0.10	188.20	10.35	60.01	5.64	64.51	5.68	1121.64	44.75	855.31	40.86
			(5603.00)		(−68.11)		(7.51)		(1638.60)		(−23.75)	
Security Deposits of Staff	0.09	0.00	0.09	0.00	0.08	0.01	0.06	0.01	0.05	0.00	0.05	0.00
			(0.00)		(−2.33)		(−29.76)		(−22.03)		(0.00)	
Unclaimed Deposits	4.51	0.13	5.10	0.28	3.80	0.36	2.47	0.22	2.28	0.09	3.13	0.15
			(13.08)		(0.00)		(−34.96)		(−7.68)		(36.88)	
Money at Call	1300.00	37.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
			(−100.00)		(0.00)		(0.00)		(0.00)		(0.00)	
Zakat Fund	0.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
			(−100.00)		(0.00)		(0.00)		(0.00)		(0.00)	
Total Deposits	3466.60	100.00	1818.76	100.00	1064.42	100.00	1135.28	100.00	2506.26	100.00	2093.12	100.00
			(−47.53)		(−41.48)		(6.66)		(120.76)		(−16.48)	

Source: Agricultural Development Bank of Pakistan: Annual Reports.

Note: Figrues in parentheses are growth rates.

Table 2.13

Year-wise Sources of Funds

(Million Rs.)

Borrowings From	1991 Amount	1991 % of Total	1992 Amount	1992 % of Total	1993 Amount	1993 % of Total	1994 Amount	1994 % of Total	1995 Amount	1995 % of Total	1996 Amount	1996 % of Total
State Bank of Pakistan	25398.40	78.45	27153.84 (6.91)	75.53	31334.59 (15.40)	74.06	32912.02 (5.03)	75.00	37097.89 (12.72)	77.28	39984 (7.78)	79.13
International Development Association	1812..84	5.60	1686.07 (−6.99)	4.69	1639.56 (−2.76)	3.88	1495.64 (−8.78)	3.41	1393.57 (−6.82)	2.90	1346.2 (−3.40)	2.66
International Bank for Reconstruction and Development	2824.69	8.72	3269.37 (15.74)	9.09	3763.60 (15.12)	8.90	3402.42 (−9.60)	7.75	3176.40 (−6.64)	6.62	2952.9 (−7.04)	5.84
International Fund for Agricultural Development	636.65	1.97	622.30 (−2.25)	1.73	673.96 (8.30)	1.59	634.80 (−5.81)	1.45	590.62 (−6.96)	1.23	605.05 (2.44)	1.20
Asian Development Bank	1572.57	4.86	2172.45 (38.15)	6.04	3322.09 (52.92)	7.85	3347.21 (0.76)	7.63	3618.92 (8.12)	7.54	3514.1 (−2.90)	6.95
USAID	131.32	0.41	115.18 (−12.29)	0.32	98.59 (−14.41)	0.23	0.00 (−100.00)	0.00	0.00 (0.00)	0.00	0 (0.00)	0.00
OECF Japan	0.00	0.00	933.04 (58.34)	2.60	1477.39 (58.34)	3.49	2088.02 (41.33)	4.76	2126.34 (1.84)	4.43	2126.3 (0.00)	4.21
Total Borrowings	32376.00	100.00	35952 (11.04)	100.00	42310 (17.68)	100.00	43880.1 (3.71)	100.00	48004 (9.40)	100.00	50528 (5.26)	100.00

Source: Agricultural Development Bank of Pakistan: Annual Reports.

Note: Figures in parentheses are growth raates.

Table 2.14

Selected Financial Indicators as on 30th June

(Million Rs.)

Year	Assets	Advances	Reserves	Deposits
1990	39945.00	33958.00	2452.00	6855.00
1991	42373.00	37206.00	2557.00	3467.00
	(6.08)	(9.56)	(4.28)	(−49.42)
1992	45064.00	37436.00	2710.00	1819.00
	(6.35)	(0.62)	(5.98)	(−47.53)
1993	52179.00	40147.00	2899.00	1064.00
	(15.79)	(7.24)	(6.97)	(−41.51)
1994	54607.00	40285.00	3092.00	1135.00
	(4.65)	(0.34)	(6.66)	(6.67)
1995	61471.00	48036.00	3214.00	2506.00
	(12.57)	(19.24)	(3.95)	(120.79)
1996	63878.00	50131.00	3480.00	2093.00
	(3.92)	(4.36)	(8.28)	(−17.94)
Average Annual Growth Rate (%) (1990–1996)	8.14	6.71	6.01	−21.12

Source: Agricultural Development Bank of Pakistan: Annual Reports.

Note: Figures in parentheses are growth rates.

assets grew at an average annual growth rate of 8.14 percent, increasing from Rs. 39,945 million in 1990 to Rs. 63,878 million in 1996. Advances of the bank steadily increased from Rs. 33,958 million in 1991 to Rs. 50,131 million in 1996, recording an average annual growth rate of 6.71 percent. The bank's reserves increased from Rs. 2,452 million in 1990 to Rs. 3,480 million in 1996, registering an average annual growth rate of 6.01 percent. Total deposits followed a variable pattern during the period 1990 to 1996, declining from Rs. 6,855 million in 1990 to Rs. 2,093 million in 1996.

Table 2.15 describes selected financial ratios as well as trends in profit. The bank's profit increased from Rs. 115 million in 1991 to Rs. 193 million in 1996, showing an average annual growth rate of 10.91 percent. The ratio of profit to total income stayed between 3.95 percent and 5.39 percent during the period 1991 to 1996. The profit to assets ratio ranged between 0.27 percent and 0.36 percent during the period 1991 to 1996, while profit to equity ratio stayed between 2.88 percent and 3.06 percent during the same period. The ratio of deposits to loans disbursed declined from 41.65 percent in 1991 to 20.24 percent in 1996, whereas the ratio of advances to borrowings fell from 114.92 percent in 1991 to 99.21 percent in 1996. Recovery per employee steadily increased from Rs. 0.893 million in 1991 to Rs. 1.446 million in 1996.

Table 2.15

Trends in Profit and Other Financial Ratios

Years	Profit (Million Rs.)	Profit as Percentage of			Deposits as % of Loans Disbursed	Recovery as % of Borrowing	Recovery per Employee	Loans and Advances as % of Borrowings
		Total Income	Assets	Equity				
1991	115.00	3.95	0.27	2.94	41.65	24.12	0.89	114.92
1992	152.00 (32.17)	5.39	0.34	2.88	26.00	26.25	1.09	104.13
1993	189.00 (24.34)	5.31	0.36	3.09	12.31	21.32	1.04	95.01
1994	193.00 (2.12)	4.04	0.35	3.06	12.63	24.19	1.26	91.81
1995	195.00 (1.04)	3.97	0.32	3.04	17.19	20.44	1.34	100.06
1996	193.00 (−1.30)	4.03	0.30	2.88	20.24	25.25	1.45	99.21
Average Annual Growth (%) (1991–1996)	10.91	0.40	2.12	−0.41	−13.44	0.92	10.12	−2.90

Source: Agricultural Development Bank of Pakistan: Annual Reports.
Note: Figures in parentheses are growth rates.

Table 2.16 provides the balance sheet of the ADBP for the period 1991 to 1996. An overwhelming proportion of total assets pertained to loans and advances followed by investment. The proportion of loans and advances in total assets declined from 87.81 percent in 1991 to 78.48 percent in 1996. The share of investment in total assets stayed between 2.44 percent and 6.30 percent during the period 1991 to 1996. On the capital and liability side, paid-up capital increased from Rs. 1,353 million in 1991 to Rs. 3,214 million in 1996. Reserves steadily increased from Rs. 2,557 million in 1991 to Rs. 3,480 million in 1996, registering an average annual growth rate of 6.36 percent. Total liabilities of the bank rose from Rs. 38,463 million in 1991 to Rs. 57,184 million in 1996, showing an average annual growth rate of 8.25 percent. Borrowings of the bank constituted a major proportion of its total liabilities during the period 1991 to 1996. The share of borrowings in total liabilities stayed between 76.41 percent and 81.09 percent during the period 1991 to 1996.

2.8. Trends in Capital and Staff Productivity

Table 2.17 highlights trends in average capital and staff productivity in terms of provision of credit and deposit mobilization. The table shows that the average number of loans per thousand rupees of capital ranged from 0.0164 to 0.0331 during the period 1991 to 1996, while the average number of loans per employee fluctuated between 10.11 and 23.32 during the same period, depicting an average annual growth rate of 4.88 percent. Average credit disbursement per rupee of capital varied between Rs. 1,330 thousand and Rs. 2,260 thousand during the period 1991 to 1996, whereas average credit disbursement per employee increased from Rs. 952 thousand in 1991 to Rs. 1,114 thousand in 1996, registering an average annual growth rate of 3.74 percent. Average outstanding loans per rupee of capital declined from Rs. 9.51 in 1991 to Rs. 7.49 in 1996. Average outstanding loans per employee steadily increased from Rs. 4,255 thousand in 1991 to Rs. 5,551 thousand in 1996, showing an average annual growth rate of 5.46 percent. Average deposit mobilization per rupee of capital declined from Rs. 886 thousand in 1991 to Rs. 313 thousand in 1996. Average deposit mobilization per employee stood at Rs. 396 thousand in 1991, declining to Rs. 237 thousand in 1996.

2.9. Other Key Indicators

Table 2.18 provides some key indicators pertaining to the bank's staff position and the number of its regional and branch offices. According to this table, the number of officers in the bank increased from 4614 in 1990 to 5443 in 1996, showing a modest average annual growth rate 2.79 percent. The number of staff declined from 4035 in 1990 to 3383 in 1996, while the number of MCOs varied between 1376 and 1487 during the period 1990 to 1996. The total number of employees increased from 8649 in 1990 to 8826 in 1996, depicting a meagre

Table 2.16

Balance Sheet

(Million Rs.)

	1991		1992		1993		1994		1995		1996		Average Annual Growth Rates (%) (1991–96)
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	
Assets:(A+B)	42373.0	100.0	45064.0	100.0	52179.0	100.0	54607.0	100.0	61471.0	100.0	63877.0	100.0	8.56
			(6.35)		(15.79)		(4.65)		(12.57)		(3.91)		
(a) Loans and Advances	37206.0	87.81	37436.0	83.07	40147.0	76.94	40285.0	73.77	48036.0	78.14	50131.0	78.48	6.14
			(0.62)		(7.24)		(0.34)		(19.24)		(4.36)		
(b) Investment	1443.0	3.41	1919.0	4.26	3286.0	6.30	1493.0	2.73	1499.0	2.44	2427.0	3.80	10.96
			(32.99)		(71.24)		(−54.56)		(0.40)		(61.91)		
A: Total Earning Assets:													
(a+b)	38649.0	91.21	39355.0	87.33	43433.0	83.24	41778.0	76.51	49535.0	80.58	52558.0	82.28	6.34
			(1.83)		(10.36)		(−3.81)		(18.57)		(6.10)		
(c) Cash	1334.0	3.15	2193.0	4.87	1958.0	3.75	1360.0	2.49	1726.0	2.81	1543.0	2.42	2.95
			(64.39)		(−10.72)		(−30.54)		(26.91)		(−10.60)		
(d) Fixed Assets	1270.0	3.00	1277.0	2.83	1336.0	2.56	1399.0	2.56	1413.0	2.30	1455.0	2.28	2.76
			(0.55)		(4.62)		(4.72)		(1.00)		(2.97)		
(e) Other Assets	1120.0	2.64	2239.0	4.97	5452.0	10.45	10070.0	18.44	8797.0	14.31	8784.0	13.75	50.97
			(99.91)		(143.50)		(84.70)		(−12.64)		(−0.15)		
B: Total Non-Earning Assets:	3724.0	8.79	5709.0	12.67	8746.0	16.76	12829.0	23.49	11936.0	19.42	11782.0	18.44	25.90
			(53.30)		(53.20)		(46.68)		(−6.96)		(−1.29)		
Capital and Liabilities: (C+D)	42373.0	100.0	45064.0	100.0	52179.0	100.0	54607.0	100.0	61471.0	100.0	63878.0	100.0	8.56
			(6.35)		(15.79)		(4.65)		(12.57)		(3.92)		

Table 2.16—(Continued)

C: Capital (f+g)	3910.0	9.23	5278.0	11.71	6113.0	11.72	6306.0	11.55	6428.0	10.46	6694.0	10.48	11.35
			(34.99)		(15.82)		(3.16)		(1.93)		(4.14)		
(f) Paid-up Capital	1353.0	3.19	2569.0	5.70	3214.0	6.16	3214.0	5.89	3214.0	5.23	3214.0	5.03	18.89
			(89.87)		(25.11)		(0.00)		(0.00)		(0.00)		
(g) Reserves	2557.0	6.03	2709.0	6.01	2899.0	5.56	3092.0	5.66	3214.0	5.23	3480.0	5.45	6.36
			(5.94)		(7.01)		(6.66)		(3.95)		(8.28)		
D: Liabilities (i+j+k)	38463.0	90.77	39786.0	88.29	46066.0	88.28	48301.0	88.45	55313.0	89.98	57184.0	89.52	8.25
			(3.44)		(15.78)		(4.85)		(14.52)		(3.38)		
(i) Deposits	3466.0	8.18	1919.0	4.26	1064.0	2.04	1135.0	2.08	2506.0	4.08	2093.0	3.28	-9.69
			(-44.63)		(-44.55)		(6.67)		(120.79)		(-16.48)		
(j) Borrowings	32377.0	76.41	35952.0	79.78	42310.0	81.09	43880.0	80.36	48004.0	78.09	50528.0	79.10	9.31
			(11.04)		(17.68)		(3.71)		(9.40)		(5.26)		
(k) Others	2620.0	6.18	1915.0	4.25	2692.0	5.16	3286.0	6.02	4533.0	7.37	4563.0	7.14	11.74
			(-26.91)		(40.57)		(22.07)		(37.95)		(0.66		

Source: Agricultural Development Bank of Pakistan, Annual Reports.

Note: Figures in parentheses are growth rates.

Table 2.17

Trends in Average Capital and Employee Production of Service, 1991–96

Year	Number of Loans		Credit Disbursement		Loans Outstanding		Deposits Mobilised	
	Per (000 Rs.) Capital	Per Employee	Per Capital	Per Employee	Per Capital (Rs.)	Per Employee (000 Rs.)	Per Capital	Per Employee
			(000 Rs.)				(000 Rs.)	
1991	0.0250	11.80	2130	952	9.51	4255	886	396
1992	0.0165	10.11	1330	808	7.09	4324	345	210
1993	0.0331	23.32	1410	997	6.71	4632	174	123
1994	0.0164	12.33	1430	1070	6.38	4794	180	
1995	0.0306	20.85	2260	1693	7.47	5578	390	291
1996	0.0211	14.98	1610	1144	7.49	5551	313	237
Average Annual Growth Rates (%) (1991–1996)	−3.34	4.88	−5.44	3.74	−4.66	5.46	−18.79	−9.75

Source: Agricultural Development Bank of Pakistan; Annual Reports.

Table 2.18

Key Indicators at a Glance

	1990	1991	1992	1993	1994	1995	1996	Average Annual Growth Rates(%) (1990–1996)
Officers	4614	4781	4842	5046	5035	5035	5443	2.79
Staff	4035	3963	3816	3621	3369	3576	3383	−2.89
MCOs	1487	1434	1454	1521	1432	1376	1441	−0.52
Employees	8649	8744	8658	8667	8404	8611	8826	0.34
Regional offices	47	47	48	49	49	51	51	1.37
Branches	322	332	332	332	333	345	354	1.59
Employees per Branch	27	26	26	26	25	25	25	−1.27
Officers as % of Employees	53.35	54.68	55.93	58.22	59.91	58.47	61.67	2.44
Staff as % of Employees	46.65	45.32	44.07	41.78	40.09	41.53	38.33	−3.22

Source: Agriculture Development Bank of Pakistan: Annual Reports.

average annual growth rate of 0.34 percent. The number of regional offices rose from 47 in 1990 to 51 in 1996, while the number of branches increased from 322 in 1990 to 354 in 1996. The number of employees per branch stood roughly constant at 26 during the period 1991 to 1993, declining to 25 during the period 1994 to 1996. The proportion of officers in total employees increased from 53.35 percent in 1990 to 61.67 percent in 1996, whereas the proportion of staff in total employees declined from 46.65 percent in 1990 to 38.33 percent in 1996.

2.10. Branch Level Characteristics

In this section, we describe some important branch level characteristics of the ADBP, using the information obtained from a survey of its branches.[3] Table 2.19 provides information on the distribution of bank branches by size of loan disbursed during the period 1991 to 1995. The number of branches disbursing loans amounting to less than Rs. 10.00 million increased from 91 in 1991 to 134 in 1992. This figure then gradually declined to 68 in 1995. The number of branches disbursing loans in the range of Rs. 10 - 20 million declined from 174 in 1991 to 144 in 1995. The number of branches disbursing loans of amounts greater than Rs. 40.00 million followed an increasing trend over time, rising from 42 in 1991 to 129 in 1995. In 1995, almost half of the branches disbursed loans within the range of Rs. 20 - 80 million, while one-fifth of the branches disbursed loans amounting to less than Rs. 10 million.

Table 2.20 shows the distribution of bank branches by size of loans recovered during the period 1991 to 1995. The table reveals that recoveries of most of the branches have been less than Rs. 15 million during the period 1991 to 1995. For example, the proportion of branches recovering amounts of less than Rs. 15 million fluctuated between 31 percent and 43 percent during the period 1991 to 1995. The number of branches showing recoveries within the range of Rs. 15 - 30 million declined from 101 in 1991 to 72 in 1995. In 1995, 162 branches recovered less than Rs. 15 million, while 72 branches showed recoveries in the range of Rs. 15 - 30 million. During the same year, 66 branches recorded recoveries between Rs. 30 million and Rs. 60 million, whereas 41 branches recovered more than Rs. 60 million.

Table 2.21 provides data on the distribution of bank branches by size of outstanding loans during the period 1991 to 1995. The number of bank branches with outstanding loans of less than Rs. 25 million stayed between 34 and 37 during the period 1991 to 1994, before rising sharply to 208 in 1995. The number of branches with outstanding loans in the range of Rs. 25 - 50 million increased from 44 in 1991 to 71 in 1995, while the number of branches with outstanding loans of

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[3]The discussion in this section is focused only on key branch level characteristics. Appendix 1 contains additional tables that provide a detailed analysis of the branch level data of the ADBP.

Table 2.19

Distribution of Bank Branches by Size of Loans Disbursed: 1991 – 1995

Size of Loans Disbursed (Million Rs.)	1991		1992		1993		1994		1995	
	Branches	% of Total	Branches	% of Total	Branches	% of Total	Branches	% of Total	Branches	% of Total
<10	91	20.82	134 (47.25)	31.24	116 (−13.43)	26.48	104 (−10.34)	23.69	68 (−34.62)	13.96
10–20	96	21.97	81 (−15.63)	18.88	76 (−6.17)	17.35	70 (−7.89)	15.95	59 (−15.71)	12.11
20–40	174	39.82	142 (−18.39)	33.10	147 (3.52)	33.56	155 (5.44)	35.31	144 (−7.10)	29.57
40–80	34	7.78	28 (−17.65)	6.53	39 (39.29)	8.90	44 (12.82)	10.02	87 (97.73)	17.86
>80	42	9.61	44 (4.76)	10.26	60 (36.36)	13.70	66 (10.00)	15.03	129 (95.45)	26.49
Total	437	100.00	429 (−1.83)	100.00	438 (2.10)	100.00	439 (0.23)	100.00	487 (10.93)	100.00

Source: Bank Branches Survey of ADBP.

Note: Figures in parentheses are growth rates.

Table 2.20

Distribution of Bank Branches by Size of Loans Recovered: 1991 – 1995

Size of Loans	1991		1992		1993		1994		1995	
Recovered (Million Rs.)	Branches	% of Total	Branches	% of Total	Branches	% of Total	Branches	% of Total	Branches	% of Total
<15	135	42.59	122 (−9.63)	38.13	134 (9.84)	41.49	101 (−24.63)	31.08	162 (60.40)	47.51
15–30	101	31.86	98 (−2.97)	30.63	92 (−6.12)	28.48	84 (−8.70)	25.85	72 (−14.29)	21.11
30–45	36	11.36	43 (19.44)	13.44	36 (−16.28)	11.15	64 (77.78)	19.69	35 (−45.31)	10.26
45–60	23	7.26	20 (−13.04)	6.25	29 (45.00)	8.98	38 (31.03)	11.69	31 (−18.42)	9.09
>60	22	6.94	37 (68.18)	11.56	32 (−13.51)	9.91	38 (18.75)	11.69	41 (7.89)	12.02
Total	317	100.00	320 (0.95)	100.00	323 (0.94)	100.00	325 (0.62)	100.00	341 (4.92)	100.00

Source: Bank Branches Survey of ADBP.

Note: Figures in parentheses are growth rates.

Table 2.21

Distribution of Bank Branches by Size of Loans Outstanding: 1991–95

Size of Loans Outstanding (Million Rs.)	1991		1992		1993		1994		1995	
	Branches	% of Total	Branches	% of Total	Branches	% of Total	Branches	% of Total	Branches	% of Total
<25	37	11.67	37 (0.00)	11.56	34 (−8.11)	10.53	35 (2.94)	10.77	208 (494.29)	61.00
25–50	44	13.88	42 (−4.55)	13.13	44 (4.76)	13.62	44 (0.00)	13.54	71 (61.36)	20.82
50–100	97	30.60	90 (−7.22)	28.13	90 (0.00)	27.86	91 (1.11)	28.00	51 (−43.96)	14.96
>100	139	43.85	151 (8.63)	47.19	155 (2.65)	47.99	155 (0.00)	47.69	11 (−92.90)	3.23
Total	317	100	320 (0.95)	100	323 (0.94)	100	325 (0.62)	100	341 (4.92)	100

Source: Bank Branches Survey of ADBP.

Note: Figures in parentheses are growth rates.

Rs. 50 - 100 million declined from 97 in 1991 to 51 in 1995. The number of branches with outstanding loans of more than Rs. 100 million rose from 139 in 1991 to 155 in 1994, before drastically falling to 11 in 1995. In 1995, a large proportion of bank branches (61 percent) reported outstanding loans of less than Rs. 25 million, while about 20 percent of the branches had outstanding loans of Rs. 25 - 50 million. Number of branches with outstanding loans of Rs. 50 - 100 million stood at 51, while only 11 branches had outstanding loans of more than Rs. 100 million in 1995.

Table 2.22 describes the distribution of bank branches by size of deposits. A large proportion of branches showed deposit mobilization of less than Rs. 2 million during the period 1991 to 1995. The number of branches mobilizing deposits of less than Rs. 2 million rose from 90 in 1991 to 159 in 1995. The number of branches with deposit mobilization in the range of Rs. 2 - 4 million stayed between 73 and 92 during the period 1991 to 1995, while the number of branches mobilizing deposits of Rs. 4 - 8 million varied between 41 and 86 during the same period. The number of branches with deposits totalling more than Rs. 8 million declined from 54 in 1991 to 24 in 1995.

Table 2.23 and 2.24 respectively provide information on the distribution of bank branches by income and expenditure sizes. According to table 2.23, the number of branches reporting income of less than Rs. 5 million steadily increased form 55 in 1991 to 82 in 1995. The number of branches with income in the range of Rs. 5 - 10 million varied between 69 and 92 during the period 1991 to 1995, while the number of branches reporting income of Rs. 10 - 15 million fluctuated between 65 and 80 during the same period. The number of branches showing income of Rs. 15 - 25 million increased from 50 in 1991 to 64 in 1995, whereas the number of branches with income of Rs. 25 - 35 million stayed between 21 and 28 during the period 1991 to 1995. The number of branches with income of more than Rs. 35 million rose from 23 in 1991 to 37 in 1995. According to table 2.24, the number of branches with expenditure of less than Rs. 5 million declined from 77 in 1991 to 70 in 1995, while the number of branches reporting expenditure of Rs. 5 - 10 million stood at 108 in 1991, declining to 79 in 1995. The number of branches with expenditure of Rs. 10 - 15 million stayed between 72 and 80 during the period 1991 to 1995, while the number of branches with total expenditure of more than Rs. 15 million steadily increased from 61 in 1991 to 114 in 1995.

Table 2.25 highlights the distribution of profit-making branches by size of profit. The table reveals that out of 317 branches in 1991, only 228 branches reported positive profits. The proportion of profit-making branches in total number of branches considerably declined over time. For example, only less than half of the branches were profitable in 1995. The number of branches showing profit of less than Rs. 2 million declined from 80 in 1991 to 50 in 1995, while the number of branches reporting profit of Rs. 2 - 4 million steadily declined from 38 in 1991

Table 2.22

Distribution of Bank Branches by Size of Deposits: 1991–1995

Size of Loans Deposit (Million Rs.)	1991		1992		1993		1994		1995	
	Branches	% of Total	Branches	% of Total	Branches	% of Total	Branches	% of Total	Branches	% of Total
<2	90	28.39	126 (40.00)	39.38	196 (55.56)	60.68	170 (−13.27)	52.31	159 (−6.47)	46.63
2–4	87	27.44	85 (−2.30)	26.56	73 (−14.12)	22.60	91 (24.66)	28.00	92 (1.10)	26.98
4–8	86	27.13	73 (−15.12)	22.81	41 (−43.84)	12.69	54 (31.71)	16.62	66 (22.22)	19.35
>8	54	17.03	36 (−33.33)	11.25	13 (−63.89)	4.02	10 (−23.08)	3.08	24 (140.00)	7.04
Total	317	100.00	320 (0.95)	100.00	323 (0.94)	100.00	325 (0.62)	100.00	341 (4.92)	100.00

Source: Bank Branches Survey of ADBP.

Note: Figures in parentheses are growth rates.

Table 2.23

Distribution of Bank Branches by Size of Income: 1991–1995

Size Of Income (Million Rs.)	1991		1992		1993		1994		1995	
	Branches	% of Total	Branches	% of Total	Branches	% of Total	Branches	% of Total	Branches	% of Total
<5	55	17.35	65 (18.18)	20.31	68 (4.62)	21.05	76 (11.76)	23.38	82 (7.89)	24.05
5–10	91	28.71	92 (1.10)	28.75	80 (−13.04)	24.77	69 (−13.75)	21.23	70 (1.45)	20.53
10–15	70	22.08	65 (−7.14)	20.31	70 (7.69)	21.67	80 (14.29)	24.62	67 (−16.25)	19.65
15–25	50	15.77	49 (−2.00)	15.31	52 (6.12)	16.10	44 (−15.38)	13.54	64 (45.45)	18.77
25–35	28	8.83	28 (0.00)	8.75	28 (0.00)	8.67	24 (−14.29)	7.38	21 (−12.50)	6.16
>35	23	7.26	21 (−8.70)	6.56	25 (19.05)	7.74	32 (28.00)	9.85	37 (15.63)	10.85
Total	317	100	320 (0.95)	100	323 (0.94)	100	325 (0.62)	100	341 (4.92)	100

Source: Bank Branches Survey of ADBP.

Note: Figures in parentheses are growth rates.

Table 2.24

Distribution of Bank Branches by Size of Expenditure: 1991–1995

Size Of Expenditure (Million Rs.)	1991 Branches	1991 % of Total	1992 Branches	1992 % of Total	1993 Branches	1993 % of Total	1994 Branches	1994 % of Total	1995 Branches	1995 % of Total
<5	77	24.29	78 (1.30)	24.38	71 (−8.97)	21.98	60 (−15.49)	18.46	70 (16.67)	20.53
5–10	108	34.07	95 (−12.04)	29.69	83 (−12.63)	25.70	87 (4.82)	26.77	79 (−9.20)	23.17
10–15	71	22.40	72 (1.41)	22.50	78 (8.33)	24.15	80 (2.56)	24.62	78 (−2.50)	22.87
>15	61	19.24	75 (22.95)	23.44	91 (21.33)	28.17	98 (7.69)	30.15	114 (16.33)	33.43
Total	317	100.00	320 (0.95)	100.00	323 (0.94)	100.00	325 (0.62)	100.00	341 (4.92)	100.00

Source: Bank Branches Survey of ADBP.

Note: Figures in parentheses are growth rates.

Table 2.25

Distribution of Profit Making Branches by Size of Profit: 1991 – 95

Size of Profit (Million Rs.)	1991		1992		1993		1994		1995	
	Branches	% of Total	Branches	% of Total	Branches	% of Total	Branches	% of Total	Branches	% of Total
<2	80	35.09	66 (−17.50)	38.15	58 (−12.12)	34.94	45 (−22.41)	28.48	50 (11.11)	32.26
2–4	38	16.67	30 (−21.05)	17.34	28 (−6.67)	16.87	27 (−3.57)	17.09	22 (−18.52)	14.19
4–6	29	12.72	21 (−27.59)	12.14	25 (19.05)	15.06	16 (−36.00)	10.13	17 (6.25)	10.97
6–10	38	16.67	25 (−34.21)	14.45	20 (−20.00)	12.05	25 (25.00)	15.82	24 (−4.00)	15.48
>10	43	18.86	31 (−27.91)	17.92	35 (12.90)	21.08	45 (28.57)	28.48	42 (−6.67)	27.10
Total	228	100.00	173 (−24.12)	100.00	166 (−4.05)	100.00	158 (−4.82)	100.00	155 (−1.90)	100.00

Source: Bank Branches Survey of ADBP.

Note: Figures in parentheses are growth rates.

to 22 in 1995. The number of branches with profit of Rs. 4 - 6 million varied between 16 and 29 during the period 1991 to 1995, whereas the number of branches reporting profit of Rs. 6 - 10 million stayed between 20 and 38 during the same period. The number of branches showing profit of more than Rs. 10 million fell from 43 in 1991 to 42 in 1995.

Table 2.26 depicts an overall picture of the distribution of bank branches according to the size of product mix in 1995. Of the 159 branches with deposit mobilization of less than Rs. 2 million, 58 branches disbursed loans up to Rs. 10 million, 78 branches disbursed loans amounting to Rs. 10 - 40 millions, and 23 branches disbursed loans of more than Rs. 40 million. There were 158 branches with deposit mobilization of Rs. 2 - 8 million, out of which only 9 branches disbursed loans up to Rs. 10 million, while 24 branches disbursed loans of Rs. 10 - 20 million. In the same category of deposit mobilization, the number of branches with disbursement of loans in the range of Rs. 20 - 40 million stood at 38, 60 branches disbursed loans of Rs. 40 - 80 million, and 27 branches disbursed loans worth more than Rs. 80 million.

Table 2.26

Distribution of Bank Branches by Size of Loans Disbursed and Deposits: 1995

Size of Loans Disbursed (Million Rs.)	Size of Deposits (Million Rs.)				
	0–2	2–4	4–8	>8	Total
<10	58	5	4	1	68
	(36.48)	(5.43)	(6.06)	(4.17)	(19.94)
10–20	34	17	7	1	59
	(21.38)	(18.48)	(10.61)	(4.17)	(17.30)
20–40	44	29	9	3	85
	(27.67)	(31.52)	(13.64)	(12.50)	(24.93)
40–80	18	33	27	9	87
	(11.32)	(35.87)	(40.91)	(37.50)	(25.51)
>80	5	8	19	10	42
	(3.14)	(8.70)	(28.79)	(41.67)	(12.32)
Total	159	92	66	24	341
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Bank Branches.
Note: Figures in parentheses are Column percentages.

Table 2.27 provides details on the distribution of bank branches by size of loans disbursed and by size of recoveries. The table reveals that out of 68 branches disbursing loans of up to Rs. 10 million in 1995, 64 branches showed recoveries of up to 15 million, 3 branches recovered Rs. 15 - 30 million, and only 1 branch

recovered Rs. 30 - 40 million. 46 out of 59 branches with loan disbursement of Rs. 10 - 20 million showed recoveries of up to Rs. 15 million, while 12 branches recovered loans of Rs. 15 - 30 million. In 1995, there were 42 branches with loan disbursement of more than Rs. 80 million. Of these, 1 branch showed recoveries of up to Rs. 15 million, 12 branches recovered loans of Rs. 15 - 60 million, while the remaining 29 branches recovered loans of more than Rs. 60 million.

Table 2.27

Distribution of Bank Branches by Size of Loans Disbursed and Loans Recovered: 1995

Size of Loans Disbursed (Million Rs.)	Size of Loan Recovered (Million Rs.)					
	0–15	15–30	30–40	40–60	>60	Total
<10	64	3	1	0.00	0	68
	(39.51)	(4.17)	(2.86)	(0.00)	(0.00)	(19.94)
10–20	46	12	0	0.00	1	59
	(28.40)	(16.67)	(0.00)	(0.00)	(2.44)	(17.30)
20–40	43	27	10	4.00	1	85
	(26.54)	(37.50)	(28.57)	(12.90)	(2.44)	(24.93)
40–80	8	27	22	20.00	10	87
	(4.94)	(37.50)	(62.86)	(64.52)	(24.39)	(25.51)
>80	1	3	2	7.00	29	42
	(0.62)	(4.17)	(5.71)	(22.58)	(70.73)	(12.32)
Total	162	72	35	31	41	341
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Bank Branches.

Note: Figures in parentheses are Column percentages.

Chapter 3

FINANCIAL AND ECONOMIC VIABILITY OF ADBP

3.1. Introduction

A financial institution must remain financially and economically viable in order to continue and expand its operations. In this chapter we provide an assessment of the financial and economic viability of the ADBP in terms of the break even rate of interest and the subsidy dependence index.

3.2. Break-even Rate of Interest

According to the financial criterion of efficiency, a lending institution must charge an interest rate that generates revenue equal to or exceeding the cost per unit of loan disbursed. In other words:

$$r = \frac{(i + a + p)}{(1 - p)}$$

where

r = Break even rate of interest

I = Interest cost per rupee loan disbursed

a = Administrative cost per rupee loan disbursed

p = Percentage of principal and interest payments due that is not recovered

Table 3.1 presents estimates of the break even rate of interest as well as the data used for its calculation. We have presented four different estimates of the break even rate of interest depending upon alternative configurations of the underlying data. Let us first discuss the data used for the calculation of break even rates of interest. The table shows that interest cost per rupee loan disbursed on yearly borrowings ranged from Rs. 0.0185 to Rs. 0.0551 during the period 1991 to 1995, while interest cost per rupee loan disbursed on cumulative borrowings varied between Rs. 0.2068 and Rs.0.3322 during the same period. Administrative cost per rupee loan disbursed fluctuated between Rs. 0.1072 and Rs. 0.1779 during the period 1991 to 1995. The percentage of unrecovered dues including principal amount and interest payments increased from 41 percent in 1991 to 48 percent in 1995.

The break-even rate (inclusive of default cost) has been calculated alternatively on the bases of interest payments on yearly and cumulative borrowings. Based on interest payments on yearly borrowings, the break-even rate

Table 3.1

Break Even Rates and Data for the Calculation

	1991	1992	1993	1994	1995
Interest Cost per Rupee Loan Disbursed on: (i) (Rs.)					
Yearly Borrowing	0.0551	0.0417	0.0480	0.0496	0.0185
Cumulative Borrowing	0.2068	0.2200	0.2574	0.3322	0.2160
Administrative Cost per Rupee Loan Disbursed: (a) (Rs.)	0.1289	0.1615	0.1324	0.1779	0.1072
Proportion of Principal and Interest Payments due that is not Recovered (p)	0.41	0.45	0.38	0.46	0.48
Break Even Interest Rate including Default Cost (Based on): (%)					
Interest Cost on Yearly Borrowing	100.70	118.80	90.40	127.30	116.40
Interest Cost on Cumulative Borrowing	126.4	151.2	124.2	179.7	154.5
Break Even Interest Rate Excluding Default Cost (Based on): (%)					
Interest Cost on Yearly Borrowing	18.40	20.30	18.0	22.80	12.60
Interest Cost on Cumulative Borrowing	33.6	38.1	39.0	51.0	32.3
Interest Cost on: (Million Rs.)					
Yearly Borrowing	458.60	291.40	414.40	446.00	269.20
Cumulative Borrowing	1721.0	1539.0	2224.0	2987.0	3149.0
Administrative Cost (Million Rs.)	1073.0	1130.0	1144.0	1599.0	1563.0
Loan Disbursed (Million Rs.)	8324.0	6996.0	8643.0	8989.0	14576.0
Principal and Interest payments due that is not Recovered (Million Rs.)	5360.5	7795.4	5446.0	9105.2	8945.7
Total Recoverable (Million Rs.)	13169.0	17233.5	14465.1	19718.8	18755.9

Source: Agricultural Development Bank of Pakistan: Annual Reports.

Note: Break Even Rate = $(i+a+p)/(1-p)$.

(inclusive of default cost) stood at a hefty 100.70 percent in 1991, before increasing to 116.50 percent in 1995. The break-even rate of interest (inclusive of default cost) calculated on the basis of interest payments on cumulative borrowings increased from 126.4 percent in 1991 to 154.5 percent in 1995.[4] Notice that these astoundingly high figures for the break-even rate of interest are primarily due to a high default cost. This is evident from the estimates of break-even rates exclusive of default cost. The break-even rate of interest (exclusive of default cost) based on interest payment on yearly borrowings declined from 18.40 percent in 1991 to 12.60 in 1995. The break-even rate (exclusive of default cost) computed on the basis of interest payment on cumulative borrowings, varied between 32.3 percent and 51.0 percent during the period 1991 to 1995, the highest figure corresponding to the year 1994. It must be cautioned here that financial viability criterion does not capture the possibility that a lending institution may not satisfy the criterion during a single time period, but still may be financially viable overtime. This is because the calculation of break-even rate of interest neglects the possibility that overdue loans may be repaid in the future.

In addition to the break even rate of interest, an examination of the bank's financial margins can also shed some light on its profitability. If the bank is to become profitable, it must cover all costs as a percentage of assets within its financial margins. Table 3.2 provides information on financial margin of the

Table 3.2

Financial Margins

						(% of Total Assets)
Year	Interest Revenue	Interest Expenses	Financial Margin	Salary	Other Cost	Total Cost (Salary + Other Costs)
1991	6.5	4.06	2.44	1.71	4.88	6.59
1992	5.92	3.42	2.5	1.67	4.25	5.92
1993	6.52	4.26	2.25	1.5	4.95	6.45
1994	8.33	5.47	2.86	2.17	6.23	8.4
1995	7.6	5.12	2.47	1.84	5.83	7.67
1996	7.5	4.53	2.97	1.93	5.27	7.2

Source: Agricultural Development Bank of Pakistan: Annual Reports.

Note: 1. Financial Margin = (Interest Revenue - Interest Expenses)/Total Assets.

2. Other Costs are defined as total expenses less salary.

[4]Notice that despite very high break-even rates of interest, the bank is showing profit according to its annual reports. There is a question of how the ADBP is making profit despite a substantial gap between its on-lending rate of interest and the break-even rate of interest. This question can be answered by looking at the status of SBP loans sanctioned to ADBP. Data from the SBP show that ADBP has not been able to repay its loans to the SBP during the period 1990-91 to 1997-98, except for the year 1993-94. This implies that the ADBP has been effectively shifting a part of its operating expenses (including default) to the SBP. This shifting of expenses can be treated as a source of income for the ADBP. Therefore, it would not be implausible if the Bank shows profits despite a large gap between its on-lending rate of interest and the break-even rate of interest.

ADBP. It is evident that the bank's financial margin has remained quite low during the period 1991 to 1996, increasing slightly from 2.44 percent in 1991 to 2.97 percent in 1996. Furthermore, the bank has been unable to cover its costs within its financial margin. For example, the bank's total expenses as a percentage of assets stood at 7.2 percent, whereas its financial margin was only 2.97 percent in 1996.

3.3. The Subsidy Dependence Index

Apparently Agricultural Development Bank of Pakistan has shown impressive performance in terms of the amount of profit reported in the conventional financial statements. However, in view of the fact that the ADBP is a state and donor supported organization, the conventional accounting data are inadequate to measure its financial performance. For example, the ADBP receives subsidized funds from foreign sources and the State Bank of Pakistan for on-lending purposes. The bank, therefore, enjoys an economic subsidy which needs to be taken into account to evaluate its economic sustainability.

The Subsidy Dependence Index measures the percentage increase in the financial institution's average on-lending interest rate required to fully compensate for the elimination of subsidies. Calculating the SDI requires aggregating all the subsidies received by the financial institution. Because lending is the primary activity of a development finance institution, the SDI is simply a ratio of the total subsidy to the financial institution's on-lending interest rate multiplied by its average annual loan portfolio. Measuring a financial institution's annual subsidies as a percentage of its interest income gives the percentage by which interest income would have to increase to fully cover the cost of lending, assuming that the bank obtains funds at the market rate of interest. The annual subsidy received by a financial institution is defined as:

$$S = A(m-c) + [(E*m) - P] + K$$

where

S = Annual subsidy received by the financial institution;

A = Annual average outstanding funds borrowed by the financial institution at concessional rates;

m = Interest rate the bank would be assumed to pay for borrowed funds if access to borrowed concessional funds were eliminated;

c = Concessional rate of interest actually paid by the bank on concessional borrowings;

E = Annual equity;

P = Reported annual profit before taxes;

K = The sum of all other annual subsidies received by the bank (such as partial coverage of operational expenses).

Now SDI is defined as the following ratio:

$$SDI = S/LP * i$$

where

SDI = Subsidy dependence index;
LP = Average annual outstanding loan portfolio;
I = Weighted average on-lending interest rate.

An SDI of zero means that a financial institution achieved full sustainability. An SDI of 100 percent indicates that a doubling of the average lending interest rate is required if subsidies are to be eliminated. Similarly, an SDI of 200 percent indicates that a threefold increase in the on-lending interest rate is required to compensate for eliminating the subsidy.

Table 3.3 reports the SDI's for the Agricultural Development Bank of Pakistan for the period 1991-1995. We have taken the rate of interest on 36-month deposit as the market rate, whereas the weighted average of the actual concessional rates of interest on borrowings have been used. SDI increased from 37.88 percent in 1991 to 57.24 percent in 1993. The SDI declined to 54.59 percent in 1994 and then increased to 55.55 percent in 1995. Based on these figures of SDI, Table 3.3 also shows the on-lending rate of interest that the bank should have charged if subsidies were to be eliminated altogether. The required rate of interest comes out to be 17.24 percent as against the actual interest rate of 12.5 percent in 1991. For 1992, the rate required to eliminate subsidies is 18.88 percent. While the actual on-lending rate of interest was 13.5 percent during the period 1993-1995, the rates of interest required to eliminate subsidies during the corresponding period were respectively 21.23 percent, 20.87 percent, and 21.00 percent.

Table 3.3

The Subsidy Dependence Index (SDI) and Data for its Calculation

					(Million Rs.)
	1991	1992	1993	1994	1995
Borrowings	32376.876	35952.241	42309.776	43880.110	48003.749
36 Months Interest Rate	10.500	11.990	11.570	11.710	11.770
Interest Rate on Borrowings (%)	6.21	6.7	5.71	6.2	6.04
Amount of Equity	3910.738	5279.152	6113.399	6306.012	6428.646
Profit	114.853	152.414	189.247	192.613	195.298
Annual Average Outstanding Loan Portfolio	35582.166	37312.345	38791.602	40215.765	44160.312
SDI (%)	37.880	51.080	57.240	54.590	55.550
On Lending Interest Rate (%)	12.500	12.500	13.500	13.500	13.500
Required Interest Rate Based on SDI (%)	17.240	18.880	21.230	20.870	21.000

Source: Agricultural Development Bank of Pakistan: Annual Reports.

3.4. Policy Implications

From the above analysis, it is transparent that the overall operations of the Agricultural Development Bank of Pakistan depend to a large extent on economic subsidy it receives in the form of subsidized borrowings. The high values of SDI in recent years attest to the fact that the ADBP has been mainly a vehicle for distributing subsidized loans rather than a financial institution operating under sound commercial guidelines. High dependence on subsidies not only erodes economic viability of the bank but also makes it vulnerable to changes in external economic conditions that may adversely affect the amount of subsidies it receives from both domestic and foreign sources. As a matter of fact, recent trends indicate a dwindling supply of concessional borrowings, especially from foreign sources. It is, therefore, expected that the bank would have to rely increasingly on borrowings from the money market at commercial interest rates. In this changing scenario, the bank needs to adopt ways to reduce its dependence on subsidies and transform itself into a self-sustaining financial institution. Our analysis shows that the bank's current on-lending rate of interest is considerably lower than the one required to eliminate its subsidy dependence. Therefore, in order to continue and expand its operations on a sound financial basis, the ADBP needs to substantially raise its on-lending rate of interest.

Chapter 4

COST STRUCTURE AND ECONOMIES OF SCALE

4.1. Introduction

In this chapter, we are interested in investigating the cost structure of bank branches by analyzing the production characteristics of both Agricultural Development Bank of Pakistan and the National Bank of Pakistan. Recent studies have shown that the analysis of banks' technological characteristics is facilitated by using the cost function model based upon duality theory. A cost function not only sheds light on banks' technological attributes, but also provides information on both product-specific and overall economies of scale. In this paper, we utilize a model based on the translog cost function to provide insight into bank production characteristics. The chapter is structured as follows: Section 4.2 describes the translog cost function and explains the data and variables. Section 4.3 discusses the empirical results and Section 4.4 concludes the discussion.

4.2. The Translog Cost Function

A translog cost function may be viewed as an exact cost function in its own right, or as a second-order logarithmic Taylor series approximation to any arbitrary twice-differentiable cost function. The translog cost function is written as:

$$
\ln c = \alpha_0 + \sum_{i=1}^{m} \alpha_i \ln y_i + \sum_{j=1}^{n} \beta_j \ln p_j + \frac{1}{2} \sum_{i=1}^{m} \sum_{j=1}^{m} \delta_{ij} \ln y_i \ln y_j
$$

$$
+ \frac{1}{2} \sum_{i=1}^{n} \sum_{j=1}^{n} \gamma_{ij} \ln p_i \ln p_j + \sum_{i=1}^{m} \sum_{j=1}^{n} \theta_{ij} \ln y_i \ln p_j + A
$$

where y_i are the m outputs, p_j are the n input prices. Linear homogeneity in factor prices is insured by the restrictions

$$
\sum_j \beta_j = 1, \quad \sum_j \gamma_{jk} = 0 \,\forall\, k, and \quad \sum_j \theta_{ij} = 0 \,\forall\, i.
$$

Also, symmetry requires that $\delta_{ir} = \delta_{ri} \,\forall\, i, r$ and $\gamma_{jk} = \gamma_{kj} \,\forall\, J, K$.

There are two approaches to measuring bank outputs and cost: the *production approach*, and the *intermediation approach*. Under the production approach, banks are seen as producing accounts of various sizes by processing deposits and loans, and incurring capital and labour costs. This approach measures output by the number of accounts and considers only non-interest operating cost.

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Under the intermediation approach, banks intermediate deposits and borrowed funds into loans and other assets. This approach measures output by the dollar value of accounts and considers operating cost inclusive of interest payments. We adopt the latter approach in modelling cost functions for the banking operations of both the ADBP and the National Bank of Pakistan. Our model includes three inputs: Labour, Capital and Loanable Funds. The wage rate is calculated as the sum of wages, salaries and benefits divided by the total number of employees. The price of capital is computed as the sum of rent and depreciation divided by the book value of fixed assets. The average interest cost is calculated as total interest payments divided by interest bearing deposits and/or borrowings.

4.3. Empirical Results

The translog cost functions are estimated using pooled time series and branch-level cross section data by fixed effects estimation technique, with the homogeneity in input prices and symmetry restrictions imposed. The estimated parameters are reported in Table 4.1.

Since our primary interest lies in evaluating the scale economies, we shall focus our attention on the economies of scale parameters reported in Table 4.2. Economies of scale are said to exist when an equi-proportional increase in all inputs results in a greater than proportional increase in output, or equivalently, when an increase in output at constant input prices leads to a less than proportional increase in total costs. Thus, average cost declines as output expands. In terms of the translog cost function specified above, the economies of scale can be calculated as follows:

$$ SE = \sum_{i=1}^{m} \frac{\partial \ln C}{\partial \ln y} = \sum_{i=1}^{m} \alpha_i + \sum_{i=1}^{m}\sum_{j=1}^{m} \delta_{ij} \ln y_i + \sum_{i=1}^{m}\sum_{j=1}^{n} \theta_{ij} \ln p_j $$

For comparative purposes, we have computed the scale economies parameters for 3 samples that respectively consist of data relating to all branches, profit making branches, and non-profit making branches. Let us first focus on economies of scale parameters pertaining to the ADBP. It is clear that the ADBP enjoys substantial economies of scale for all branches, suggesting that all branches would benefit from programme expansion. As for the NBP, our results show that it also enjoys considerable economies of scale. The extent of the economies of scale is the highest for the non-profit making branches followed by all branches and branches showing profitability.

Based on the cost elasticity parameters, we have also computed marginal costs of loan disbursed and deposits. For the ADBP, marginal cost of lending an additional Rs. 100.00 is Rs. 156.5 for the non-profitable branches, followed by Rs. 85.7 and Rs. 61.07 for all branches and profit-making branches respectively.

Table 4.1

Branch Level Translog Cost Functions

Explanatory Variable	ADBP		NBP	
Log of Loan Disbursed	0.19367	3.02236	0.21601	0.70000
	(4.58)	[1.10]		[2.0000]
Log of Deposits	0.08171	0.90376	0.45757	3.41000
	(3.28)*	[0.94]		[1.01000]
Log of Fixed Cost	0.07209	−2.18	0.09772	-4.20000
	(2.24)*	[0.61]		[2.09000]
Log of Interest	0.48788	−5.04421	0.23687	-2.19000
	(16.56)*	[1.18]		[0.94000]
Log of Wage	0.44003	−2.61777	0.66541	-2.21000
	(13.98)*	[0.58]		[0.53000]
Log of Past Dues	-0.0103	−0.37477		
	(0.59)	(1.51969)		
Log of loan Disbursed Squared	0.08979		0.05502	
	(5.53)*		(2.37)*	
Log of Deposits Squared	0.00368		0.12334	
	(0.78)		(3.46)*	
Log of Fixed Cost Squared	0.02448		0.02895	
	(3.66)*		(1.73)**	
Log of Interest Cost Squared	0.04082		0.14572	
	(7.69)*		(12.67)*	
Log of Wage Squared	0.03953		0.18419	
	(3.10)*		(7.12)*	
Log of Past Dues Squared	0.1312			
	(56.34)			
Log of Loan Disbursed Log of Deposits	0.01244		−0.04236	
	(1.48)		(−1.72)**	
Log of Loan Disbursed Log of Fixed Cost	0.01053		0.03769	
	(1.14)*		(2.11)*	
Log of Loan Disbursed Log of Interest Cost	-0.05635		−0.08052	
	(−5.78)*		(-4.40)*	
Log of Deposits Log of Fixed Cost	0.00527		−0.00444	
	(0.74)		(−0.22)	

Continued—

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Table 4.1—(*Continued*)

Explanatory Variable	ADBP		NBP	
Log of Deposits Log of Interest Cost	0.00907 (1.03)		0.16244 (5.83)	
Log of Fixed Cost Log of Interest Cost	−0.01288 (−1.82)**		0.00476 (0.31)*	
Log of Wage Log of Fixed Cost	0.01159 (1.41)**		−0.03371 (−2.10)*	
Log of Wage Log of Interest Cost	−0.02794 (−4.07)*		−0.15048 (−8.67)*	
Log of Wage Log of Loan Disbursed	−0.66840 (−6.13)*		−0.11821 (−6.29)*	
Log of Wage Log of Deposits	0.00381 (0.41)		0.16688 (5.58)*	
Log of Fixed Cost Log of Past Dues	−0.0086 (−1.98)			
Log of Interest Cost Log of Past Dues	−0.0725 (−13.50)*			
Log of Loan Disbursed Log of Past Dues	0.0956 (16.63)*			
Log of Deposits Log of Past Dues	−0.0127 (−3.12)*			
Road Length	−0.41076 (−2.66)*	0.244 (0.137)	0.04377 (0.65)	
Rainfall	−0.000002 (−0.17)	1397.78 (749.63)	0.000001 (0.24)	1514.8900 (710.56)
Age	0.00969 (2.07)*	16.167 (10.423)	−0.02019 (−1.79)	21.25000 (7.63000)
Age Squared	−0.00009 (−0.92)		0.000001 (1.40)	
Constant	0.00018 (0.06)		0.08459 (4.47)*	

Notes: (1) Figures in Parenthesis are *t*-values.

    (2) Figures in brackets are Standard Deviations.

     * Indicates level of significance at 5 percent.

    ** Indicates level of significance at 10 percent.

Table 4.2

Economies of Scale and Marginal Costs

	Agricultural Development Bank of Pakistan			National Bank of Pakistan		
	Full Sample	Profitable Branches	Non Profitable Branches	Full Sample	Profitable Branches	Non Profitable Branches
Cost Elasticity w.r.t. Loans Disbursed	0.6209 (34.63)	0.6283 (37.27)*	0.6118 (29.66)*	0.2171 (2.32)*	0.21.72 (2.32)*	0.2169 (2.31)*
Marginal Cost of Loans Disbursed	0.8576	0.6107	1.5651	0.0918	0.0884	0.1016
Cost Elasticity w.r.t. Deposits	0.0055 (0.54)	0.0027 (0.28)	0.0088 (0.77)	0.4553 (3.48)*	0.4561 (3.49)*	0.4530 (3.46)*
Marginal Cost of Deposits	0.0660	0.024	0.1672	0.0472	0.0449	0.0542
Overall Economies of Scale	0.6263 (6.06)*	0.6310 (5.98)*	0.6206 (6.14)*	0.6724 (7.16)*	0.6733 (7.18)*	0.6700 (7.13)*

Note: Estimates are based upon branch level translog cost function.
  Figures in parenthesis are *t*-values.
  *Indicates the level of significance at 5 percent.

Marginal cost of an additional deposit mobilization of Rs. 100.00 is Rs. 16.72 for non-profitable branches, followed by Rs. 6.6 and Rs. 2.46 for all branches and profit making branches respectively. For the NBP, marginal cost of lending an additional Rs. 100.00 is Rs. 10.16 for non-profitable branches, followed by Rs. 9.18 and Rs. 8.84 for all branches and profit-making branches respectively. Marginal cost of an additional deposit mobilization of Rs. 100.00 is Rs. 5.42 for non-profitable branches, followed by Rs. 4.72 and Rs. 4.49 for all branches and profit-making branches respectively. It is evident that non-profitable branches of both ADBP and NBP face higher marginal costs with respect to the production of loans and deposits. It is interesting to note that marginal cost of deposits is much higher than the marginal cost of lending for the ADBP, whereas marginal cost of deposits is lower than marginal cost of lending for the NBP.

4.4. Concluding Remarks

In this chapter, we have analyzed the production characteristics and the related issue of economies of scale for both the Agricultural Development Bank of Pakistan and the National Bank of Pakistan. In particular, we have estimated translog cost functions that provide a firm theoretical grounding for evaluating economies of scale at the branch level. Our empirical results show that there has been significant economies of scale for both ADBP and NBP. The obvious conclusion, then, is that there exists scope for both ADBP and NBP to expand their outputs at declining average costs.

Chapter 5

IMPACT OF INFRASTRUCTURE AND AGROCLIMATE ON THE LOCATION OF RURAL BANK BRANCHES IN PAKISTAN

5.1. Introduction

Rural financial institutions play a vital role in the development and growth of the agricultural sector. In the context of developing economies, however, it has been observed that while some rural areas are adequately served by financial institutions, others have little or no access to these institutions. In the development literature, this uneven pattern of geographic location of rural bank branches has been attributed largely to regional differences in agroclimatic conditions and infrastructural endowments[5]. The basic premise is that banks locate their branches where the agroclimate and infrastructure are favorable to their operations. Financial institutions find it more profitable to locate in environments where a good agroclimate leads to substantial demand for agricultural investment and high repayment capacity. In view of the fact that better agroclimate directly enhances both agricultural productivity and the demand for private agricultural investment, agroclimatic opportunities of a region play a pivotal role in the location decision of banks. Similarly, better infrastructure can facilitate the emergence and growth of financial institutions in a particular area by increasing the profitability of banks through reduction in the cost of financial intermediation. Moreover, government expenditure on physical infrastructure affects the private production and investment decisions in agriculture, leads to better agricultural productivity, and increases the rate of return to private agricultural investment. These factors are essential ingredients for the viability of financial institutions in the rural areas.

This chapter aims to explore the impact of infrastructure and agroclimate on the geographic location of rural bank branches in Pakistan. Section 5.2 presents the model which is used to assess quantitatively the influence of infrastructural endowments and agroclimatic environment on the location of financial institutions across the rural landscape. Section 5.3 describes data and the variables. Section 5.4 reports the estimation results while section 5.5 offers some concluding remarks.

5.2. Model Specification

Banks are assumed to locate in a district with good agroclimate and infrastructure i.e.

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[5]See, for instance, Binswanger and Khandkar (1993) and the references cited therein.

$$CB_j = CB_j \ (R_{rj}, \ AC_{pj}, \ V_j, \ E_j)$$

Where

CB_j = Number of banks operating in district j

R_{rj} = Level of the rth infrastructure variable (say road length) in district j.

AC_{pj} = Level of Pth agroclimate variable in district j

V_j = Unobservable area- specific characteristics

E_j = Error term.

5.3. Data and Variables

We have chosen two variables to represent infrastructural endowments of a region. These are irrigated area and road length. Two agroclimatic variables, rainfall and humidity, have been used to capture the agroclimatic environment. Dependent variables are the numbers of rural branches of Agricultural Development Bank of Pakistan (ADBP) and five commercial banks established at the district level[6].

District level data on Irrigated Area and Road Length are collected from various issues of Provincial Development Statistics published by Governments of Punjab, Sindh and NWFP. Data on Rainfall and Humidity are collected from the Meteorological Department, Government of Pakistan. District level data on the number of rural bank branches are obtained from unpublished reports of the State Bank of Pakistan and the Agricultural Development Bank of Pakistan.

5.4. Estimations

In this section, we report the regression results. In Table 5.1, six equations are estimated using pooled cross section and time series data for 72 districts of Punjab, Sindh and NWFP for the years 1971/72 - 1994/95. To control for unobservable and time invarying area specific characteristics, the fixed effects estimation technique has been employed. The dependent variables are the numbers of rural bank branches of the ADBP and five commercial banks. The explanatory variables representing infrastructure and agroclimate variables are Irrigated Area (IA), Road Length (RL), Rainfall (RF) and Humidity (HMDTY).

Equation (1) explains the number of rural bank branches of ADBP as a function of Irrigated Area, Road Length, Rainfall and Humidity. All the four explanatory variables in this equation have a positive and significant impact on the dependent variable and the equation explains 79 percent of the variation in the dependent variable. In Equation (2) number of National Bank branches is regressed

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[6]All the variables pertaining to infrastructure endowments, and number of bank branches have been standardized by dividing with the district's area. The variables, therefore, are measured as per 10 Sq.Km. Average rainfall is measured in millimetres while humidity is measured as the percentage moisture content in the air.

Table 5.1

Effects of Agroclimate and Infrastructure on the Location of Rural Bank Branches

Dependent Variable	Independent Variables					R2	F
	Constant	Rainfall	Humidity	Road Length	Irrigated Area		
(1) ADBP	0.00058	0.384	0.137	0.497	0.068	0.79	422.22
	(0.03)	(11.28)*	(3.90)*	(20.03)*	(2.60)*		
(2) NBP	0.0043	0.319	0.292	0.169	-0.0028	0.59	83.65
	(0.17)	(7.34)*	(6.25)*	(5.26)*	(-0.09)		
(3) HBL	0.003	0.558	0.382	0.166	0.042	0.69	203.90
	(0.12)	(13.73)*	(8.74)*	(5.53)*	(1.43)		
(4) ABL	0.00006	0.108	0.213	0.171	0.065	0.38	45.73
	(0.004)	(2.83)*	(4.08)*	(6.20)*	(2.37)*		
(5) UBL	0.0029	0.432	0.307	0.314	0.075	0.69	181.74
	(0.09)	(9.94)*	(6.50)*	(9.68)*	(2.37)*		
(6) MCB	0.0029	0.299	0.357	0.268	0.052	0.60	130.34
	(0.12)	(6.86)*	(7.65)*	(8.34)*	(1.67)*		

Notes: * Indicates level of significance at 5 percent.
       ** Indicates level of significance at 10 percent.
       Coefficients of these variables are in elasticity form.

on Rainfall, Humidity, Irrigated Area and Road Length. In this equation all the explanatory variables, except Irrigated Area have a positive impact on the dependent variable. Irrigated Area (IA) has a negative but insignificant co-efficient. This equation explains 59 percent of the variation in the dependent variable. Equation (3) uses number of rural bank branches of Habib Bank as the dependent variable. In this equation all the agroclimatic and infrastructure variables have a positive impact on the number of bank branches, explaining 69 percent of the variation in the dependent variable. In Equation (4) number of Allied Bank branches is the dependent variable. Here all the agroclimatic and infrastructure variables have positive and significant impact on the dependent variable. This equation explains 38 percent of the variation in the dependent variable. In Equation (5), number of UBL branches is regressed on agroclimatic and infrastructure variables. Here all the variables positively influence the dependent variable. This equation explains 69 percent of the variation in the dependent variable. Finally, in Equation (6) the number of rural bank branches of Muslim Commercial Bank has been regressed on Rain Fall, Humidity, Irrigated Area and Road Length. All the four explanatory variables in this equation positively influence the dependent variable with statistically significant co-efficients. This equation explains 60 percent of the variation in the dependent variable.

5.5. Concluding Remarks

This chapter has attempted to quantify the role of infrastructural endowments and agroclimatic environment in the geographic location of rural bank branches in Pakistan. We have estimated several specifications which can be helpful in understanding the spatial distribution of bank branches across the rural landscape. Our results indicate that the location of rural bank branches is significantly influenced by infrastructural endowments. In other words, regions endowed with better infrastructure appear to have a greater access to financial institutions. Our results also highlight the importance of agroclimatic environment in the geographic location of rural bank branches. These results point out that policies designed to promote access to financial institutions in the rural areas need to be adopted in tandem with greater efforts to provide better infrastructure in regions with a favourable agroclimatic environment.

5.5. Concluding Remarks

This chapter has attempted to quantify the role of infrastructural endowments and agroclimatic environment in the geographic location of rural bank branches in Pakistan. We have estimated several specifications which can be helpful in understanding the spatial distribution of bank branches across the rural landscape. Our results indicate that the location of rural bank branches is significantly influenced by infrastructural endowments. In other words, regions endowed with better infrastructure appear to have a greater access to financial institutions. Our results also highlight the importance of agroclimatic environment in the geographic location of rural bank branches. These results point out that policies designed to promote access to financial institutions in the rural areas need to be adopted in tandem with greater efforts to provide better infrastructure in regions with a favourable agroclimatic environment.

Chapter 6

SUMMARY OF STRATEGIC ISSUES AND POLICY RECOMMENDATIONS

Several strategic issues emerge from the evidence and analysis presented in the previous chapters. In what follows, we provide a summary of these issues and offer some policy recommendations.

- The evidence presented in chapter 2 has shown that the ADBP primarily relies on borrowings from the State Bank of Pakistan for its lending operations, and that its efforts to mobilize deposits as a source of funding have not been very successful. For example, the ratio of deposits to loans disbursed declined from 41.65 percent in 1991 to 20.24 percent in 1996, whereas the ratio of advances to borrowings stood at 99.21 percent in 1996. It is important that vigorous efforts are made to improve deposit mobilization since this will provide the main funding source for the bank's lending operations.

- The bank's administrative expenses continue to be quite high. For example, administrative cost per rupee loan disbursed increased from Rs. 0.1289 in 1991 to Rs. 0.1779 in 1994, before falling to Rs. 0.1072 in 1995. Furthermore, in 1996, average number of loans per employee stood at 14.98, whereas average credit disbursement per employee amounted to Rs. 1144 thousand. The challenge facing the ADBP is to reduce staffing levels and to improve operational effectiveness. The ADBP management has recognized this and certain initial steps have already been taken to address some of these issues.

- The ADBP is facing high default cost owing to the low and deteriorating recovery rates. The recovery ratio based on total recovery performance declined from 59.29 percent in 1991 to 44.68 percent in 1996, whereas the recovery ratio calculated on the basis of current dues declined from 69.15 percent in 1991 to 56 percent in 1996. The bank's performance in terms of recovery of past dues is wholly unsatisfactory. For example, the recovery ratio calculated on the basis of recovery performance of past dues declined from 33.40 percent in 1991 to 19.30 percent in 1996. Recoveries are vital in view of the reluctance of ADBP's main lenders to provide further funds and its inability to mobilize deposits. Therefore, more determined efforts are needed to improve its recovery performance. In addition, ADBP needs to initiate a cohesive program to revamp its lending

procedures in order to minimize the risk of default, focusing particularly on greater scrutiny and monitoring of loans and adequate loan securities.

- A financial institution must remain financially and economically viable in order to continue and expand its operations. According to the financial criterion of efficiency, a lending institution must charge an interest rate that generates revenue equal to or exceeding the cost per unit of loan disbursed. We have shown that the break-even rate of interest is astoundingly high when default cost is taken into account. These results indicate that huge financial subsidy is required to keep the ADBP afloat.

- We have shown that the ADBP's financial margin has remained quite low and that the bank has been unable to cover its costs within its financial margin. For example, in 1996, the bank's total expenses as a percentage of its assets stood at 7.2 percent, whereas its financial margin was only 2.97 percent.

- In view of the fact that the ADBP is a state and donor supported organization, the conventional accounting data are inadequate to measure its financial performance. For example, the ADBP receives subsidized funds from foreign sources and the State Bank of Pakistan for on-lending purposes. The bank, therefore, enjoys economic subsidy, which needs to be taken into account to evaluate its economic sustainability. We have computed the Subsidy Dependence Index (SDI) that measures the percentage increase in the financial institution's average on-lending interest rate required to fully compensate for the elimination of subsidies. The high values of SDI in recent years attest to the fact that the ADBP has been mainly a vehicle for distributing subsidized loans rather than a financial institution operating under sound commercial guidelines. High dependence on subsidies not only erodes economic viability but also makes it vulnerable to changes in external economic conditions that may adversely affect the amount of subsidies it receives from both domestic and foreign sources. As a matter of fact, recent trends indicate a dwindling supply of concessional borrowings, especially from foreign sources. It is, therefore, expected that the bank would have to rely increasingly on borrowings from the money market at commercial interest rates. In this changing scenario, the bank needs to adopt ways to reduce its dependence on subsidies and transform itself into a self-sustaining financial institution. Our analysis shows that the bank's current on-lending rate of interest is considerably lower than the one required to eliminate its subsidy dependence.

- Our analysis points out that in order to continue and expand its operations on a sound financial basis, the ADBP needs to substantially raise its on-lending rate of interest. However, this option seems infeasible given the objective of providing credit to the agricultural sector at affordable rates. Therefore, other ways must be explored to improve the bank's financial

performance. For example high rates of loan collection, a high level of deposit mobilization, and greater administrative efficiency can be instrumental in improving financial and economic viability of the ADBP.

- In addition to the factors listed above, the bank must exploit any cost advantages that are available to it by adopting the most efficient scale of operations. By estimating a translog cost function, we have quantified the extent to which the bank's production costs are sensitive to its scale of operations. Our results show that the bank enjoys significant economies of scale. For example, the economies of scale parameter of 0.2019 indicates that when the volume of business of a branch increases by 100 percent, the operating cost increases by only 20 percent. This suggests that the viability of a program could be improved by taking advantage of scale economies in operating cost instead of raising interest rates on loans.

- Finally, we have explored the impact of infrastructure and agroclimate on the placement of rural bank branches. Our results indicate that the location of rural bank branches is significantly influenced by location specific variables such as road length, irrigated area, rainfall, and humidity. In other words, regions with better infrastructure and good agroclimate appear to have a greater access to financial institutions. These results point out that policies designed to promote access to financial institutions in the rural areas need to be adopted in tandem with greater efforts to provide better infrastructure in regions with a favourable agroclimatic environment.

Appendices

Table A-1

Distribution of Bank Branches by Size of Loans Disbursed and Age Group: 1991

Size Of Loan Disbursed	Age Group In Years				
(Million Rs.)	1–10	11–20	21–30	>31	Total
<10	60	18	10	3	91
	(36.81)	(24.66)	(22.22)	(8.33)	(28.71)
10–20	55	19	12	10	96
	(33.74)	(26.03)	(26.67)	(27.78)	(30.28)
20–40	37	19	12	10	78
	(22.70)	(26.03)	26.67)	(27.78)	(24.61)
40–80	9	11	8	6	34
	(5.52)	(15.07)	(17.78)	(16.67)	(10.73)
>80	2	6	3	7	18
	(1.23)	(8.22)	(6.67)	(19.44)	(5.68)
Total	163	73	45	36	317
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

Table A-2

Distribution of Bank Branches by Size of Loans Disbursed and Age Group: 1992

Size of Loans Disbursed (Million Rs.)	Age Group in Years				Total
	1–10	11–20	21–30	>31	
<10	83	34	13	4	134
	(54.25)	(40.96)	(28.89)	(10.26)	(41.88)
10–20	38	17	13	13	81
	(24.84)	(20.48)	(28.89)	(33.33)	(25.31)
20–40	22	19	11	9	61
	(14.38)	(22.89)	(24.44)	(23.08)	(19.06)
40–80	8	9	4	7	28
	(5.23)	(10.84)	(8.89)	(17.95)	(8.75)
>80	2	4	4	6	16
	(1.31)	(4.82)	(8.89)	(15.38)	(5.00)
Total	153	83	45	39	320
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches
  Note: Figures in parentheses are Column percentages.

Table A-3

Distribution of Bank Branches by Size of Loans Disbursed and Age Group: 1993

Size of Loans Disbursed (Million Rs.)	Age Group in Years				Total
	1–10	11–20	21–30	>31	
<10	71	24	14	7	116
	(46.71)	(38.10)	(21.21)	(16.67	(35.91)
10–20	35	15	17	9	76
	(23.03)	(23.81)	(25.76)	(21.43)	(23.53)
20–40	31	12	17	11	71
	(20.39)	(19.05)	(25.76)	(26.19)	(21.98)
40–80	13	8	10	8	39
	(8.55)	(12.70)	(15.15)	(19.05)	(12.07)
>80	2	4	8	7	21
	(1.32)	(6.35)	(12.12)	(16.67)	(6.50)
Total	152	63	66	42	323
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
  Note: Figures in parentheses are Column percentages.

Table A-4

Distribution of Bank Branches by Size of Loans Disbursed and Age Group: 1994

Size of Loans Disbursed (Million Rs.)	Age Group in Years				
	1–10	11–20	21–30	>31	Total
<10	60	20	16	8	104
	(43.48)	(31.75)	(19.75)	(18.60)	(32.00)
10–20	27	18	18	7	70
	(19.57)	(28.57)	(22.22)	(16.28)	(21.54)
20–40	38	13	22	12	85
	(27.54)	(20.63)	(27.16)	(27.91)	(26.15)
40–80	9	8	16	11	44
	(6.52)	(12.70)	(19.75)	(25.58)	(13.54)
>80	4	4	9	5	22
	(2.90)	(6.35)	(11.11)	(11.63)	(6.77)
Total	138	63	81	43	325
	(100.00)	100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

  Note: Figures in parentheses are Column percentages.

Table B-1

Distribution of Bank Branches by Size of Loans Recovered and Age Group: 1991

Size of Loans Recovered (Million Rs.)	Age Group in Years					
	1–5	6–10	11–20	21–30	>31	Total
<15	50	38	27	16	4	135
	(52.63)	(55.88)	(36.99)	(35.56)	(11.11)	(42.59)
15–30	34	23	18	12	14	101
	(35.79)	(33.82)	(24.66)	(26.67)	(38.89)	(31.86)
30–45	6	3	17	5	5	36
	(6.32)	(4.41	(23.29)	(11.11)	(13.89)	(11.36)
45–60	4	4	4	6	5	23
	(4.21)	(5.88)	(5.48)	(13.33)	(13.89)	(7.26)
>60	1	0	7	6	8	22
	(1.05)	(0.00)	(9.59)	(13.33)	(22.22)	(6.94)
Total	95	68	73	45	36	317
	(100.00)	100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

  Note: Figures in parentheses are Column percentages.

Table B-2

Distribution of Bank Branches by Size of Loans Recovered and Age Group: 1992

Size of Loans Recovered	Age Group in Years					
(Million Rs.)	1–5	6–10	11–20	21–30	>31	Total
<15	41	33	31	12	5	122
	(51.90)	(44.59)	(37.35)	(26.67)	(12.82)	(38.13)
15–30	21	29	22	12	14	98
	(26.58)	(39.19)	(26.51)	(26.67)	(35.90)	(30.63)
30–45	11	7	14	7	4	43
	(13.92)	(9.46)	(16.87)	(15.56)	(10.26)	(13.44)
45–60	2	2	6	6	4	20
	(2.53)	(2.70)	(7.23)	(13.33)	(10.26)	(6.25)
>60	4	3	10	8	12	37
	(5.06)	(4.05)	(12.05)	(17.78)	(30.77)	(11.56)
Total	79	74	83	45	39	320
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table B-3

Distribution of Bank Branches by Size of Loans Recovered and Age Group: 1993

Size of Loans Recovered	Age Group in Years					
(Million Rs.)	1–5	6–10	11–20	21-30	>31	Total
<15	31	50	24	23	6	134
	(53.45)	(53.19)	(38.10)	(34.85)	(14.29)	(41.49)
15–30	14	30	19	15	14	92
	(24.14)	(31.91)	(30.16)	(22.73)	(33.33)	(28.48)
30–45	8	6	7	9	6	36
	(13.79)	(6.38)	(11.11)	(13.64)	(14.29)	(11.15)
45–60	2	6	7	8	6	29
	(3.45)	(6.38)	(11.11)	(12.12)	(14.29)	(8.98)
>60	3	2	6	11	10	32
	(5.17)	(2.13)	(9.52)	(16.67)	(23.81)	(9.91)
Total	58	94	63	66	42	323
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table B-4

Distribution of Bank Branches by Size of Loans Recovered and Age Group: 1994

Size of Loans Recovered	Age Group in Years					
(Million Rs.)	1–5	6–10	11–20	21–30	>31	Total
<15	7	50	22	17	5	101
	(35.00)	(42.37)	(34.92)	(20.99)	(11.63)	(31.08)
15–30	7	30	19	19	9	84
	(35.00)	(25.42)	(30.16)	(23.46)	(20.93)	(25.85)
30–45	4	26	9	15	10	64
	(20.00)	(22.03)	(14.29)	(18.52)	(23.26)	(19.69)
45–60	1	10	6	12	9	38
	(5.00)	(8.47)	(9.52)	(14.81)	(20.93)	(11.69)
>60	1	2	7	18	10	38
	(5.00)	(1.69)	(11.11)	(22.22)	(23.26)	(11.69)
Total	20	118	63	81	43	325
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

Table C-1

Distribution of Bank Branches by Size of Loans Outstanding and Age Group: 1991

Size of Loans Outstanding	Age Group in Years					
(Million Rs.)	1–5	6–10	11–20	21–30	>31	Total
<25	18	6	5	6	2	37
	(18.95)	(8.82)	(6.85)	(13.33)	(5.56)	(11.67)
25–50	16	18	6	4	0	44
	(16.84)	(26.47)	(8.22)	(8.89)	(0.00)	(13.88)
50–100	35	19	26	9	8	97
	(36.84)	(27.94)	(35.62)	(20.00)	(22.22)	(30.60)
100–200	25	21	24	14	12	96
	(26.32)	(30.88)	(32.88)	(31.11)	(33.33)	(30.28)
>200	1	4	12	12	14	43
	(1.05)	(5.88)	(16.44)	(26.67)	(38.89)	(13.56)
Total	95	68	73	45	36	317
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

Table C-2

Distribution of Bank Branches by Size of Loans Outstanding and Age Group: 1992

| Size of Loans Outstanding | Age Group in Years | | | | | |
(Million Rs.)	1–5	6–10	11–20	21–30	>31	Total
<25	16	8	7	5	1	37
	(20.25)	(10.81)	(8.43)	(11.11)	(2.56)	(11.56)
25–50	11	19	7	4	1	42
	(13.92)	(25.68)	(8.43)	(8.89)	(2.56)	(13.13)
50–100	30	22	25	8	5	90
	(37.97)	(29.73)	(30.12)	(17.78)	(12.82)	(28.13)
100–200	20	21	29	19	16	105
	(25.32)	(28.38)	(34.94)	(42.22)	(41.03)	(32.81)
>200	2	4	15	9	16	46
	(2.53)	(5.41)	(18.07)	(20.00)	(41.03)	(14.38)
Total	79	74	83	45	39	320
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

Table C-3

Distribution of Bank Branches by Size of Loans Outstanding and Age Group: 1993

| Size of Loans Out Standing | Age Group in Years | | | | | |
(Million Rs.)	1–5	6–10	11–20	21–30	>31	Total
<25	14	10	5	3	2	34
	(24.14)	(10.64)	(7.94)	(4.55)	(4.76)	(10.53)
25–50	5	24	7	7	1	44
	(8.62)	(25.53)	(11.11)	(10.61)	(2.38)	(13.62)
50–100	17	33	20	14	6	90
	(29.31)	(35.11)	(31.75)	(21.21)	(14.29)	(27.86)
100–200	20	21	19	26	17	103
	(34.48)	(22.34)	(30.16)	(39.39)	(40.48)	(31.89)
>200	2	6	12	16	16	52
	(3.45)	(6.38)	(19.05)	(24.24)	(38.10)	(16.10)
Total	58	94	63	66	42	323
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

Table C-4

Distribution of Bank Branches by Size of Loans Outstanding and Age Group: 1994

Size of Loans Out Standing (Million Rs.)	Age Group in Years					
	1–5	6–10	11–20	21–30	>31	Total
<25	4	19	6	5	1	35
	(20.00)	(16.10)	(9.52)	(6.17)	(2.33)	(10.77)
25–50	3	21	9	9	2	44
	(15.00)	(17.80)	(14.29)	(11.11)	(4.65)	(13.54)
50–100	6	40	18	19	8	91
	(30.00)	(33.90)	(28.57)	(23.46)	(18.60)	(28.00)
100–200	6	29	21	25	18	99
	(30.00)	(24.58)	(33.33)	(30.86)	(41.86)	(30.46)
>200	1	9	9	23	14	56
	(5.00)	(7.63)	(14.29)	(28.40)	(32.56)	(17.23)
Total	20	118	63	81	43	325
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

Table D-1

Distribution of Bank Branches by Deposits and Age Group: 1991

Deposits (Million Rs.)	Age Group in Years				
	(1)	(2)	(3)	(4)	
	1–10	11–20	21–30	>31	Total
<2	67	13	8	2	90
	(41.10)	(17.81)	(17.78)	(5.56)	(28.39)
2–4	55	18	8	6	87
	(33.74)	(24.66)	(17.78)	(16.67)	(27.44)
4–8	35	26	13	12	86
	(21.47)	(35.62)	(28.89)	(33.33)	(27.13)
>8	6	16	16	16	54
	(3.68)	(21.92)	(35.56)	(44.44)	(17.03)
Total	163	73	45	36	317
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

Table D-2

Distribution of Bank Branches by Deposits and Age Group: 1992

Deposits	Age Group in Years				
	(1)	(2)	(3)	(4)	
(Million Rs.)	1–10	11–20	21–30	>31	Total
<2	83	29	9	5	126
	(54.25)	(34.94)	(20.00)	(12.82)	(39.38)
2–4	47	16	13	9	85
	(30.72)	(19.28)	(28.89)	(23.08)	(26.56)
4-8	21	27	13	12	73
	(13.73)	(32.53)	(28.89)	(30.77)	(22.81)
>8	2	11	10	13	36
	(1.31)	(13.25)	(22.22)	(33.33)	(11.25)
Total	153	83	45	39	320
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table D-3

Distribution of Bank Branches by Deposits and Age Group: 1993

Deposits	Age Group in Years				
	(1)	(2)	(3)	(4)	
(Million Rs.)	1-10	11-20	21-30	>31	Total
<2	121	34	30	11	196
	(79.61)	(53.97)	(45.45)	(26.19	(60.68)
2-4	26	18	17	12	73
	(17.11)	(28.57)	(25.76)	(28.57)	(22.60)
4-8	5	9	16	11	41
	(3.29)	(14.29)	(24.24)	(26.19)	(12.69)
>8	0	2	3	8	13
	(0.00)	(3.17)	(4.55)	(19.05)	(4.02)
Total	152	63	66	42	323
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table D-4

Distribution of Bank Branches by Deposits and Age Group: 1994

Deposits	Age Group in Years				
	(1)	(2)	(3)	(4)	
(Million Rs.)	1–10	11–20	21–30	>31	Total
<2	103	33	26	8	170
	(74.64)	(52.38)	(32.10)	(18.60)	(52.31)
2–4	30	17	33	11	91
	(21.74)	(26.98)	(40.74)	(25.58)	(28.00)
4–8	5	12	18	19	54
	(3.62)	(19.05)	(22.22)	(44.19)	(16.62)
>8	0	1	4	5	10
	(0.00)	(1.59)	(4.94)	(11.63)	(3.08)
Total	138	63	81	43	325
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

Table E-1

Distribution of Bank Branches by Income and Age Group: 1991

Income	Age Group in Years					
	(1)	(2)	(3)	(4)	(5)	
(Million Rs.)	1–5	6–10	11–20	21–30	>31	Total
< – 15	26	16	6	7	0	55
	(27.37)	(23.53)	(9.23)	(17.95)	(0.00)	(17.35)
15 – 30	33	23	22	8	5	91
	(34.74)	(33.82)	(33.85)	(20.51)	(18.52)	(28.71)
30 – 45	18	16	17	8	11	70
	(18.95)	(23.53)	(26.15)	(20.51)	(40.74)	(22.08)
45 – 60	12	12	12	9	5	50
	(12.63)	(17.65)	(18.46)	(23.08)	(18.52)	(15.77)
>60	6	1	8	7	6	28
	(6.32)	(1.47)	(12.31)	(17.95)	(22.22)	(8.83)
Total	95	68	65	39	27	317
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

Table E-2

Distribution of Bank Branches by Income and Age Group: 1992

| Income | Age Group in Years | | | | | |
| | (1) | (2) | (3) | (4) | (5) | |
(Million Rs.)	1–5	6–10	11–20	21–30	>31	Total
< – 15	21	23	12	8	1	65
	(26.92)	(31.08)	(15.38	(20.51)	(3.33)	(20.31)
15 – 30	31	21	25	9	6	92
	(39.74)	(28.38)	(32.05)	(23.08)	(20.00)	(28.75)
30 – 45	14	17	16	5	13	65
	(17.95)	(22.97)	(20.51)	(12.82)	(43.33)	(20.31)
45 – 60	8	11	15	12	3	49
	(10.26)	(14.86)	(19.23)	(30.77)	(10.00)	(15.31)
>60	4	2	10	5	7	28
	(5.13)	(2.70)	(12.82)	(12.82)	(23.33)	(8.75)
Total	78	74	78	39	30	320
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table E-3

Distribution of Bank Branches by Income and Age Group: 1993

| Income | Age Group in Years | | | | | |
| | (1) | (2) | (3) | (4) | (5) | |
(Million Rs.)	1–5	6–10	11–20	21–30	>31	Total
< – 15	19	27	11	9	2	68
	(32.76)	(28.72)	(17.46)	(13.64)	(4.76)	(21.05)
15 – 30	18	28	20	13	1	80
	(31.03)	(29.79)	(31.75)	(19.70)	(2.38)	(24.77)
30 – 45	8	26	13	10	13	70
	(13.79)	(27.66)	(20.63)	(15.15)	(30.95)	(21.67)
45 – 60	8	8	7	20	9	52
	(13.79)	(8.51)	(11.11)	(30.30)	(21.43)	(16.10)
>60	4	5	7	5	7	28
	(6.90)	(5.32)	(11.11)	(7.58)	(16.67)	(8.67)
Total	58	94	63	66	42	323
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

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Table E-4

Distribution of Bank Branches by Income and Age Group: 1994

| Income | Age Group in Years | | | | | |
(Million Rs.)	(1) 1–5	(2) 6–10	(3) 11–20	(4) 21–30	(5) >31	Total
< – 15	7	39	19	9	2	76
	(36.84)	(33.91)	(33.33)	(13.24)	(5.88)	(23.38)
15 – 30	1	34	11	17	6	69
	(5.26)	(29.57)	(19.30)	(25.00)	(17.65)	(21.23)
30 – 45	8	26	17	17	12	80
	(42.11)	(22.61)	(29.82)	(25.00)	(35.29)	(24.62)
45 – 60	2	12	6	17	7	44
	(10.53)	(10.43)	(10.53)	(25.00)	(20.59)	(13.54)
>60	1	4	4	8	7	24
	(5.26)	(3.48)	(7.02)	(11.76)	(20.59)	(7.38)
Total	19	115	57	68	34	325
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table F-1

Distribution of Bank Branches by Expenditure and Age Group: 1991

| Expenditure | Age Group in Years | | | | | |
(Million Rs.)	(1) 1–5	(2) 6–10	(3) 11–20	(4) 21–30	(5) >31	Total
1 – 5	35	21	10	10	1	77
	(36.84)	(30.88)	(13.70)	(22.22)	(2.78)	(24.29)
5 – 10	38	27	28	7	8	108
	(40.00)	(39.71)	(38.36)	(15.56)	(22.22)	(34.07)
10 – 15	18	14	21	10	8	71
	(18.95)	(20.59)	(28.77)	(22.22)	(22.22)	(22.40)
>15	4	6	14	18	19	61
	(4.21)	(8.82)	(19.18)	(40.00)	(52.78)	(19.24)
Total	95	68	73	45	36	317
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table F-2

Distribution of Bank Branches by Expenditure and Age Group: 1992

Expenditure (Million Rs.)	Age Group in Years					
	(1) 1–5	(2) 6–10	(3) 11–20	(4) 21–30	(5) >31	Total
1 – 5	26	28	12	10	2	78
	(32.91)	(37.84)	(14.46)	(22.22)	(5.13)	(24.38)
5 – 10	33	23	28	6	5	95
	(41.77)	(31.08)	(33.73)	(13.33)	(12.82)	(29.69)
10 – 15	16	15	20	9	12	72
	(20.25)	(20.27)	(24.10)	(20.00)	(30.77)	(22.50)
>15	4	8	23	20	20	75
	(5.06)	(10.81)	(27.71)	(44.44)	(51.28)	(23.44)
Total	79	74	83	45	39	320
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table F-3

Distribution of Bank Branches by Expenditure and Age Group: 1993

Expenditure (Million Rs.)	Age Group in Years					
	(1) 1–5	(2) 6–10	(3) 11–20	(4) 21–30	(5) >31	Total
1 – 5	19	28	10	12	2	71
	(32.76)	(29.79)	(15.87)	(18.18)	(4.76)	(21.98)
5 – 10	14	35	20	10	4	83
	(24.14)	(37.23)	(31.75)	(15.15)	(9.52)	(25.70)
10 – 15	16	21	14	15	12	78
	(27.59)	(22.34)	(22.22)	(22.73)	(28.57)	(24.15)
>15	9	10	19	29	24	91
	(15.52)	(10.64)	(30.16)	(43.94)	(57.14)	(28.17)
Total	58	94	63	66	42	323
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table F-4

Distribution of Bank Branches by Expenditure and Age Group: 1994

Expenditure	Age Group in Years					
	(1)	(2)	(3)	(4)	(5)	
(Million Rs.)	1–5	6–10	11–20	21–30	>31	Total
1 – 5	4	34	10	11	1	60
	(20.00)	(28.81)	(15.87)	(13.58)	(2.33)	(18.46)
5 – 10	6	39	22	15	5	87
	(30.00)	(33.05)	(34.92)	(18.52)	(11.63)	(26.77)
10 – 15	9	26	15	19	11	80
	(45.00)	(22.03)	(23.81)	(23.46)	(25.58)	(24.62)
>15	1	19	16	36	26	98
	(5.00)	(16.10)	(25.40)	(44.44)	(60.47)	(30.15)
Total	20	118	63	81	43	325
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

Table G-1

Distribution of Bank Branches by Profits and Age Group: 1991

Profits	Age Group in Years					
	(1)	(2)	(3)	(4)	(5)	
(Million Rs.)	1–5	6–10	11–20	21–30	>31	Total
< 2	28	20	15	11	6	80
	(42.42)	(43.48)	(26.32)	(33.33)	(23.08)	(35.09)
2 – 4	12	9	10	4	3	38
	(18.18)	(19.57)	(17.54)	(12.12)	(11.54)	(16.67)
4 – 6	8	10	5	4	2	29
	(12.12)	(21.74)	(8.77)	(12.12)	(7.69)	(12.72)
6 – 10	8	5	15	5	5	38
	(12.12)	(10.87)	(26.32)	(15.15)	(19.23)	(16.67)
>10	10	2	12	9	10	43
	(15.15)	(4.35)	(21.05)	(27.27)	(38.46)	(18.86)
Total	66	46	57	33	26	228
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

Table G-2

Distribution of Bank Branches by Profits and Age Group: 1992

| Profits (Million Rs.) | Age Group in Years | | | | | |
	(1) 1–5	(2) 6–10	(3) 11–20	(4) 21–30	(5) >31	Total
< 2	16	20	15	11	4	66
	(41.03)	(51.28)	(31.91)	(40.74)	(19.05)	(38.15)
2 – 4	10	5	9	4	2	30
	(25.64)	(12.82)	(19.15)	(14.81)	(9.52)	(17.34)
4 – 6	4	9	7	1	0	21
	(10.26)	(23.08)	(14.89)	(3.70)	(0.00)	(12.14)
6 – 10	2	4	9	4	6	25
	(5.13)	(10.26)	(19.15)	(14.81)	(28.57)	(14.45)
>10	7	1	7	7	9	31
	(17.95)	(2.56)	(14.89)	(25.93)	(42.86)	(17.92)
Total	39	39	47	27	21	173
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table G-3

Distribution of Bank Branches by Profits and Age Group: 1993

| Profits (Million Rs.) | Age Group in Years | | | | | |
	(1) 1–5	(2) 6–10	(3) 11–20	(4) 21–30	(5) >31	Total
< 2	4	27	12	13	2	58
	(21.05)	(56.25)	(36.36)	(31.71)	(8.00)	(34.94)
2 – 4	4	7	6	7	4	28
	(21.05)	(14.58)	(18.18)	(17.07)	(16.00)	(16.87)
4 – 6	3	5	7	4	6	25
	(15.79)	(10.42)	(21.21)	(9.76)	(24.00)	(15.06)
6 – 10	1	5	3	7	4	20
	(5.26)	(10.42)	(9.09)	(17.07)	(16.00)	(12.05)
>10	7	4	5	10	9	35
	(36.84)	(8.33)	(15.15)	(24.39)	(36.00)	(21.08)
Total	19	48	33	41	25	166
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table G-4

Distribution of Bank Branches by Profits and Age Group: 1994

Profits (Million Rs.)	Age Group in Years					
	(1) 1–5	(2) 6–10	(3) 11–20	(4) 21–30	(5) >31	Total
< 2	4	20	7	10	4	45
	(40.00)	(40.00)	(23.33)	(21.28)	(19.05)	(28.48)
2 – 4	1	11	7	6	2	27
	(10.00)	(22.00)	(23.33)	(12.77)	(9.52)	(17.09)
4 – 6	2	3	3	8	0	16
	(20.00)	(6.00)	(10.00)	(17.02)	(0.00)	(10.13)
6 – 10	1	7	5	7	5	25
	(10.00)	(14.00)	(16.67)	(14.89)	(23.81)	(15.82)
>10	2	9	8	16	10	45
	(20.00)	(18.00)	(26.67)	(34.04)	(47.62)	(28.48)
Total	10	50	30	47	21	158
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

Table AA-1

Distribution of Bank Branches by Size of Loans Disbursed and by Deposits: 1991

Size of Loans Disbursed (Million Rs.)	Size of Deposits (Million Rs.)				
	(1) 0–2	(2) 2–4	(3) 4–8	(4) >8	Total
< – 10	45	25	18	3	91
	(50.00)	(28.74)	(20.93)	(5.56)	(28.71)
10 – 20	29	38	22	7	96
	(32.22)	(43.68)	(25.58)	(12.96)	(30.28)
20 – 40	12	19	34	13	78
	(13.33)	(21.84)	(39.53)	(24.07)	(24.61)
40 – 80	3	3	10	18	34
	(3.33)	(3.45)	(11.63)	(33.33)	(10.73)
>80	1	2	2	13	18
	(1.11)	(2.30)	(2.33)	(24.07)	(5.68)
Total	90	87	86	54	317
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

Table AA-2

Distribution of Bank Branches by Size of Loans Disbursed and by Deposits: 1992

Size of Loans Disbursed (Million Rs.)	Size of Deposits (Million Rs.)				
	(1) 0–2	(2) 2–4	(3) 4–8	(4) >8	Total
< – 10	74	38	21	1	134
	(58.73)	(44.71)	(28.77)	(2.78)	(41.88)
10 – 20	36	21	18	6	81
	(28.57)	(24.71)	(24.66)	(16.67)	(25.31)
20 – 40	11	22	21	7	61
	(8.73)	(25.88)	(28.77)	(19.44)	(19.06)
40 – 80	4	4	9	11	28
	(3.17)	(4.71)	(12.33)	(30.56)	(8.75)
>80	1	0	4	11	16
	(0.79)	(0.00)	(5.48)	(30.56)	(5.00)
Total	126	85	73	36	320
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table AA-3

Distribution of Bank Branches by Size of Loans Disbursed and by Deposits: 1993

Size of Loans Disbursed (Million Rs.)	Size of Deposits (Million Rs.)				
	(1) 0–2	(2) 2–4	(3) 4–8	(4) >8	Total
< – 10	96	18	1	1	116
	(48.98)	(24.66)	(2.44)	(7.69)	(35.91)
10 – 20	52	18	5	1	76
	(26.53)	(24.66)	(12.20)	(7.69)	(23.53)
20 – 40	38	18	14	1	71
	(19.39)	(24.66)	(34.15)	(7.69)	(21.98)
40 – 80	9	15	11	4	39
	(4.59)	(20.55)	(26.83)	(30.77)	(12.07)
>80	1	4	10	6	21
	(0.51)	(5.48)	(24.39)	(46.15)	(6.50)
Total	196	73	41	13	323
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table AA-4

Distribution of Bank Branches by Size of Loans Disbursed and by Deposits: 1994

Size of Loans Disbursed (Million Rs.)	Size of Deposits (Million Rs.)				
	(1) 0–2	(2) 2–4	(3) 4–8	(4) >8	Total
< – 10	89	11	3	1	104
	(52.35)	(12.09)	(5.56)	(10.00)	(32.00)
10 – 20	42	22	5	1	70
	(24.71)	(24.18)	(9.26)	(10.00)	(21.54)
20 – 40	32	38	14	1	85
	(18.82)	(41.76)	(25.93)	(10.00)	(26.15)
40 – 80	7	16	18	3	44
	(4.12)	(17.58)	(33.33)	(30.00)	(13.54)
>80	0	4	14	4	22
	(0.00)	(4.40)	(25.93)	(40.00)	(6.77)
Total	170	91	54	10	325
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table AA-5

Distribution of Bank Branches by Size of Loans Disbursed and by Loan Recovered: 1991

Size of Loans Disbursed (Million Rs.)	Size of Loans Recovered (Million Rs.)					
	(1) 0–15	(2) 15–30	(3) 30–45	(4) 45–60	(5) >60	Total
< – 10	74	16	1	0	0	91
	(54.81)	(15.84)	(2.78)	(0.00)	(0.00)	(28.71)
10 – 20	47	45	3	1	0	96
	(34.81)	(44.55)	(8.33)	(4.35)	(0.00)	(30.28)
20 – 40	12	36	22	7	1	78
	(8.89)	(35.64)	(61.11)	(30.43)	(4.55)	(24.61)
40 – 80	1	3	10	14	6	34
	(0.74)	(2.97)	(27.78)	(60.87)	(27.27)	(10.73)
>80	1	1	0	1	15	18
	(0.74)	(0.99)	(0.00)	(4.35)	(68.18)	(5.68)
Total	135	101	36	23	22	317
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
Note: Figures in parentheses are Column percentages.

Table AA-6

*Distribution of Bank Branches by Size of Loans Disbursed
and by Loan Recovered: 1992*

| Size of Loans Disbursed | Size of Loans Recovered (Million Rs.) | | | | | |
| | (1) | (2) | (3) | (4) | (5) | |
(Million Rs.)	0–15	15–30	30–45	45–60	>60	Total
< – 10	104	29	1	0	0	134
	(85.25)	(29.59)	(2.33)	(0.00)	(0.00)	(41.88)
10 – 20	16	51	7	5	2	81
	(13.11)	(52.04)	(16.28)	(25.00)	(5.41)	(25.31)
20 – 40	2	15	30	9	5	61
	(1.64)	(15.31)	(69.77)	(45.00)	(13.51)	(19.06)
40 – 80	0	1	5	6	16	28
	(0.00)	(1.02)	(11.63)	(30.00)	(43.24)	(8.75)
>80	0	2	0	0	14	16
	(0.00)	(2.04)	(0.00)	(0.00)	(37.84)	(5.00)
Total	122	98	43	20	37	320
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
  Note: Figures in parentheses are Column percentages.

Table AA-7

*Distribution of Bank Branches by Size of Loans Disbursed
and by Loan Recovered: 1993*

| Size of Loans Disbursed | Size of Loans Recovered (Million Rs.) | | | | | |
| | (1) | (2) | (3) | (4) | (5) | |
(Million Rs.)	0–15	15–30	30–45	45–60	>60	Total
<–10	95	19	2	0	0	116
	(70.90)	(20.65)	(5.56)	(0.00)	(0.00)	(35.91)
10–20	31	38	5	2	0	76
	(23.13)	(41.30)	(13.89)	(6.90)	(0.00)	(23.53)
20–40	7	31	24	8	1	71
	(5.22)	(33.70)	(66.67)	(27.59)	(3.13)	(21.98)
40–80	1	3	5	15	15	39
	(0.75)	(3.26)	(13.89)	(51.72)	(46.88)	(12.07)
>80	0	1	0	4	16	21
	(0.00)	(1.09)	(0.00)	(13.79)	(50.00)	(6.50)
Total	134	92	36	29	32	323
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.
  Note: Figures in parentheses are Column percentages.

Table AA-8

Distribution of Bank Branches by Size of Loans Disbursed and by Loan Recovered: 1994

Size of Loans Disbursed (Million Rs.)	Size of Loans Recovered (Million Rs.)					
	(1) 0–15	(2) 15–30	(3) 30–45	(4) 45–60	(5) >60	Total
< −10	80	23	1	0	0	104
	(79.21)	(27.38)	(1.56)	(0.00)	(0.00)	(32.00)
10–20	21	35	14	0	0	70
	(20.79)	(41.67)	(21.88)	(0.00)	(0.00)	(21.54)
20–40	0	25	41	13	6	85
	(0.00)	(29.76)	(64.06)	(34.21)	(15.79)	(26.15)
40–80	0	1	7	21	15	44
	(0.00)	(1.19)	(10.94)	(55.26)	(39.47)	(13.54)
>80	0	0	1	4	17	22
	(0.00)	(0.00)	(1.56)	(10.53)	(44.74)	(6.77)
Total	101	84	64	38	38	325
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)

Source: Survey of ADBP Branches.

Note: Figures in parentheses are Column percentages.

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ABSTRACT

This study provides a detailed description of the banking operations oι ι... Agricultural Development Bank of Pakistan with a view to identifying key analytical and policy issues. In particular, the study discusses the Bank's income and expenditure accounts, examines its recovery performance, and spells out various dimensions of its credit disbursements and deposit mobilisation. The study also highlights important branch level characteristics, using the information obtained from a survey of bank branches of the ADBP and the commercial banks. The production costs of both the ADBP and the NBP are examined in terms of translog cost functions. In addition, the impact of infrastructure and agroclimate on the placement of rural bank branches is explored for the ADBP and the commercial banks.

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