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Non-Performing Loans Portfolio in the Banking Sector of Bangladesh and Recovery Status: A Study on Rangpur Region

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Mst. Nishrat Zaman

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I. Introduction

Non-performing loans refer to those loans from which banks no longer receive interest and/or installment payments as scheduled. It is a loan for which the principal or interest payment remained overdue for a period of time. A NPL is either in default or close to being default. A loan is non-performing when payments of interest and principal are past due by 90 days or more, or at least 90 days of interest payments have been capitalized, refinanced or delayed by agreement, or payments are less than 90 days overdue, but there are other good reasons to doubt that payments will be made in full (IMF 2005).NPLs are known as Non-performing because the loan ceases to "perform" or generate income for the bank. Choudhury (2002) stated that the non-performing loan is not a "uniclass" but rather a "multiclass" concept, which means that NPLs can be classified into different varieties usually based on the "length of overdue" of the said loans. NPLs can be viewed as a typical byproduct of financial crisis. They are not a main product of the lending function but rather an accidental occurrence of the lending process, one that has enormous potential to deepen the severity and duration of financial crisis and to complicate macroeconomic management (Woo,2000).

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The performance of the financial sector of our country heavily depends on the performance of banks. It is known to all that the entire non-performing loans shrink the profitability of banks. NPL don't contribute to the income of the banks, rather these loans decrease the loan able fund of the banks. NPL also stops the recycling banking business.

A poor banking system can't help the economic development of a country. Despite massive injection of loans to the national economy, the contribution of financial sector to the Gross Domestic Product (GDP) remained at dismal level. This laden loan contributes to GDP by unhealthy and inefficient financial situation. Non-professional handling of assets both by SOCBs and PCBs was reported as the main reasons for the accumulation of loan default problem in Bangladesh (Alam and Jahan, 1999).

Bangladesh Bank (BB) as a central regulatory authority of banks in Bangladesh plays important role in monitoring and supervision by providing guidelines, circulars and circular letters time to time. BB provides circular on single borrower exposure limit, syndicate financing, bridge financing etc. Now banks are not permitted to approve large loans in favor of any individual or group of borrowers in excess of 50 percent of their total capital. Loans, which have been classified as bad/loss for 5 years or more that must be written off by the banks in order to clean the defaulted loan from their affairs. Hundred percentage provisions have been kept against that write off loan.

II. Literature Review

Banik and Das (2015) concluded that though percentage of classified loan is increasing among commercial banks, the amount of POCL is higher in state –owned commercial banks than that of private commercial banks. Islam (2012), in a study on Bangladesh House Building Finance Corporation found that 97.6 percent of the variability in the volume of classified loans can be explained by total advances, provisions, legal charges and spread. The variable legal charge was found to be statistically insignificant. Parvin (2011) stated that NPLs in Bangladesh reveals that the banking sector of Bangladesh is yet to get out of its NPL mess, although substantial improvement has been

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noticed recently. Adhikary (2006) found immediate consequence of large amount of NPLs in the banking system is bank failure as well as economic slowdown. The causes of non-performing loans are usually attributed to the lack of effective monitoring and supervision on the part of banks, lack of effective lenders' recourse, weakness of legal infrastructure, and lack of effective debt recovery strategies.

Ezaz (2006) revealed their study that the loan default is quite enormous in the banking sector. They analyzed the issues governing the recovery rate and procedure with respect to Islamic Banking while comparing with the conventional baking principles amongst NCBs, PCBs and ICB. Hou (2001) argued that there is no global standard to define non-performing loans at the practical level variations exist in terms of the classification system, the scope, and contents. Such problem potentially adds to disorder and uncertainty in the NPL issues. Non-performing loans have non-linear negative effect on banks' lending behavior.

Afroz & Uddin (2010) found in their empirical study that from the views of employees of the banks those steps taken to prevent loan classification and provisioning requirements are not sufficient; due to lack of persuasion the rate of willful defaulters is high. Hassan & Reza (1997) prepared a study on comparison of commercial Banks of Bangladesh in respect to several dimension of deposit, they identified, in 1983 PCBs were allowed to start the banking activities for the betterment than the services of NCBs. Moti et al. (2012) conducted a study on credit management and found that a key requirement for effective credit management is the ability to intelligently and efficiently manage customer credit lines. Sikder et al. (2006) studied on the operational performance of the Bangladesh Krishi Bank and evaluated in terms of some indicators viz. deposit mobilization, loan disbursement, loan recovery and profit and found that the operational performance of the bank is very poor due to some lending procedural drawbacks reaching the profit target fixed by the authority concerned.

Lots of researches have been made on non-performing loan. Researchers identified some variables which are related to non-performing loan. Research on comparative study between SOCBs and PCBs are made as well. In this paper researcher will try to highlight NP Lsscenario of banks operating seven districts of Rangpur division. The present paper has given attention more to select Rangpur division because lots of research has been conducted but exclusively for Rangpur division yet no research has been done. For availability of data seven districts of Rangpur has been chosen. The study tries to show the present status through a descriptive analysis relating to NPLs of the selected area.

III. Objectives of the Study

The major objective of this study is to represent the overall scenario of total loan disbursement, NPLs& recovery status of banks in the seven districts of Rangpur region. This study also attempts to achieve the following specific objectives:

- To give an overview of the recovery status of non-performing loans;
- To analyze legal status to recover loans from the defaulters;
- To compare the NPLs scenario between SOCBsand Private PCBs; and
- To recommend some suggestions in recovering these NPLs

IV. Methodology

This paper has been made based on secondary sources like research works of individuals, different publications, journal of different institutions, Bangladesh Bank survey etc. Forty one commercial banks both from state owned and private have been selected purposively from the seven districts of Rangpur division except Gaibandha district to represent the NPLs and their recovery system.

V. Discussion, Analysis and Findings

Rangpur, a district of northern region, has economic value for its contribution to the development of Bangladesh by supplying valuable resources. There are approximately 41 banks operating in Rangpur division. Most of the banks do have several branches. The data used here are consolidated data of the bank branches of those 41 banks. Here data are categorized in various ways and a discussion has been given after the data is captured in a table.

Table 1: Total loan disbursement and classified loan (in lac taka.)

S.N	Name of the Bank	Total Loan Disbursement	Amount of Classified loan	Classified loan %
1	AB Bank	37437.65	503.74	1.35%
2	Agrani Bank	100816.56	9712.73	9.63%
3	Al-ArafahIslami Bank	32837.83	2622.52	7.99%
4	Bank Asia	6938.02	302.18	4.36%

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5	Basic Bank	20918.71	10757.07	51.42%
6	BDBL	12526.62	9193.92	73.40%
7	Brac Bank	35797.60	1399.75	3.91%
8	Commerce Bank	2219.76	1319.67	59.45%
9	Dhaka Bank	13458.91	1432.95	10.65%
10	Dutch Bangla Bank	4877.63	120.11	2.46%
11	Estern Bank	4141.02	119.26	2.88%
12	Exim Bank	12124.40	2662.46	21.96%
13	First Security Islami Bank	1297.60	0	0.00%
14	IFIC Bank	18210.81	1062.20	5.83%
15	Islami Bank	210634.80	2610.00	1.24%
16	Jamuna Bank	21106.07	2984.91	14.14%
17	Janata Bank	75089.48	8442.53	11.24%
18	Kormoshantan Bank	8989.54	1096.14	12.19%
19	Meghna Bank	4419.49	0	0.00%
20	Mercantile Bank	25385.12	998.32	3.93%
21	Mutual Trust Bank	18011.70	1234.33	6.85%
22	National Bank	37510.29	2790.59	7.44%
23	NCC Bank	10982.58	2243.66	20.43%
24	NRB Commercial Bank	953.61	0	0.00%
25	One Bank	5038.81	5.07	0.10%
26	Premier Bank	2943.00	335.96	11.42%
27	Prime Bank	13497.95	645.19	4.78%
28	Pubali Bank	36071.63	5006.08	13.88%
29	Rajshahi Krishi Unnayan Bank	235743.77	64356.67	27.30%
30	Rupali Bank	64557.62	14114.99	21.86%
31	Shahjalal Islami Bank	17310.40	2537.18	14.66%
32	Social Islami Bank	18688.25	457.53	2.45%
33	Sonali Bank Ltd.	271558.00	24541.00	9.04%
34	South Bangla Bank	6256.80	0	0.00%
35	Southeast Bank	8341.34	815.00	9.77%
36	Standard Bank	43288.62	1741.35	4.02%
37	The City Bank	19662.66	2817.66	14.33%
38	Trust Bank	30615.89	625.56	2.04%
39	UCBl	7388.01	659.43	8.93%
40	Union Bank	1051.00	0	0.00%
41	Uttara Bank	34806.29	3071.38	8.82%

Source: Quarterly review, BB 2017

Table 1 depicts that Sonali Bank is at the top position in loan disbursement in Rangpur division. Rajshahi Krishi Unnayan Bank (RAKUB) is at the second position whereas Islami Bank Bangladesh Ltd (IBBL) is at the third position. Sonali bank has disbursed almost 271558.00lactaka at the end of June 2017. RAKUB disbursed almost 2357.43 crore taka and IBBL disbursed 210634.80lactaka at the same time.

In terms of NPL, RAKUB is at the top position whereas Sonali and Rupali Bank is at the second and third position. RAKUB's NPL amount is 64356.67lac, Sonali Bank's NPL amount is 24541.00 lac and Rupali Bank has 14114.99lac taka. But percentage of NPL in terms of total loan disbursement, BDBL is at the top position whereas Bangladesh Commerce bank (BCB) is at the second and BASIC Bank is at the third position.

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BDBL, BCB and Basic bank's classified loan is almost 73.40%, 59.45% and 51.42% respectively.

In the above table, few banks have no NPL because they newly operating in Rangpur division. They newly disburse loan to the clients. For being NPL, time is most important factor.

Table 2: Comparison of two quarter's loan disbursement and NPL (in lac taka)

S.N	Name of the Bank	Last quarter (January-March/2017)			Present quarter (April-June/17)		
		Total Loan	Classified loan	%	Total Loan	Classified loan	%
1	Sonali	262916	24792	9.43%	271558	24541	9.04%
2	Agrani	96285.68	11088.23	11.52%	100816.56	9712.73	9.63%
3	IFIC	24577.98	1728.61	7.03%	18210.81	1062.2	5.83%
4	AB	39408.79	373.4	0.95%	37437.65	503.74	1.35%
5	One	4196.57	3.46	0.08%	5038.81	5.07	0.10%
6	Trust	28027.32	554.98	1.98%	30615.89	625.56	2.04%
7	DBBL	6200.94	155.24	2.50%	4877.63	120.11	2.46%
8	Brac	15492	728.97	4.71%	35797.6	1399.75	3.91%
9	Mercantile	23497.82	927.68	3.95%	25385.12	998.32	3.93%
10	Standard	31256.57	1052.96	3.37%	43288.62	1741.35	4.02%
11	Meghna	2454.74	0	0.00%	4419.49	0	0.00%
12	EBL	3858.65	51.54	1.34%	4141.02	119.26	2.88%
13	Bank Asia	6277	278.19	4.43%	6938.02	302.18	4.36%
14	Prime	11992.33	620.43	5.17%	13497.95	645.19	4.78%
15	Uttara	31043.76	2709.26	8.73%	34806.29	3071.38	8.82%
16	MTBL	18460.56	1098.09	5.95%	18011.7	1234.33	6.85%
17	NBL	37088.19	2799.62	7.55%	37510.29	2790.59	7.44%
18	Southeast	7764.01	953.31	12.28%	8341.34	815	9.77%
19	UCBL	8174.65	825.3	10.10%	7388.01	659.43	8.93%
20	South Bangla	4669.25	0	0.00%	6256.8	0	0.00%
21	NRB Commercial	1047.65	0	0.00%	953.61	0	0.00%
22	Islami	192430	2179.7	1.13%	210634.8	2610	1.24%
23	Al-ArafahIslami	35196.39	2685.22	7.63%	32837.83	2622.52	7.99%
24	Social Islami	16307.47	243.48	1.49%	18688.25	457.53	2.45%
25	First Security	1293.99	0	0.00%	1297.6	0	0.00%
26	Union	101.81	0	0.00%	1051	0	0.00%
27	Janata	72613	9492.85	13.07%	75089.48	8442.53	11.24%
28	Rupali	59325.16	12558.1	21.17%	64557.62	14114.99	21.86%
29	RAKUB	223625.51	44399.06	19.85%	235743.77	64356.67	27.30%
30	Kormoshantan	8888.35	1088.44	12.25%	8989.54	1096.14	12.19%
31	Basic	20841.48	9598.25	46.05%	20918.71	10757.07	51.42%
32	BDBL	12905.92	9125.28	70.71%	12526.62	9193.92	73.40%
33	Jamuna	23199.92	2189.66	9.44%	21106.07	2984.91	14.14%
34	The City	17281.35	1623.47	9.39%	19662.66	2817.66	14.33%
35	Dhaka	12539.34	1529.96	12.20%	13458.91	1432.95	10.65%

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36	NCC	11687.1	2087.66	17.86%	10982.58	2243.66	20.43%
37	Pubali	35564.06	3855.57	10.84%	36071.63	5006.08	13.88%
38	Commerce Bank	2234.78	1329.67	59.50%	2219.76	1319.67	59.45%
39	Premier	2908	381.1	13.11%	2943	335.96	11.42%
40	Shahjalal Islami	14965.7	2351.6	15.71%	17310.4	2537.18	14.66%
41	Exim	11177.1	2677.98	23.96%	12124.4	2662.46	21.96%

Source: Quarterly review, BB 2017

Table 2 shows the amount of loan disbursement and NPL status of the banks in first quarter and second quarter of 2017. BDBL, Commerce bank and Basic bank has the most NPL in both quarters. Few banks NPL amount decreases and few banks NPL increases from first quarter to second quarter. EBL's classified loan increased sharply from first quarter to second quarter. EBL's classified loan is 1.34% in first quarter whereas NPL increased to 2.88% in second quarter. NCC bank's NPL also increased from first quarter to second quarter. NCC bank's NPL is 17.86% in first quarter whereas NPL increased to 20.43% in second quarter. The City Bank's NPL increased sharply from first quarter to second quarter. City Bank's NPL increased from 9.39% to 14.33%. Jamuna Bank's NPL also increased from 9.44% to 14.14%. The percentage of NPL into the total loan in first quarter is maximum 70.71% and minimum 0.08%andin second quarter is maximum 73.40% and minimum 0.10%. The table also represents the recovery rate of NPL on quarterly basis. 19banks NPL have increased, 17 banks have decreased and 5 banks NPL remain unchanged. The amount of NPL is highest (Taka.64356.67 lac) of RAKUB and lowest (Taka.5.07 lac) of One Bank limited.

Table 3: Recovery of NPL (in lactaka)

S.N	Name of the Bank	Amount of Classified loan	Recovery Amount	Recovery %
1	Sonali Bank Ltd.	24541.00	2255.00	9.19%
2	Agrani Bank	9712.73	2443.45	25.16%
3	IFIC Bank	1062.20	86.94	8.18%
4	AB Bank	503.74	0.15	0.03%
5	One Bank	5.07	0.63	12.43%
6	Trust Bank	625.56	11.93	1.91%
7	Dutch Bangla Bank	120.11	1.10	0.92%
8	Brac Bank	1399.75	55.28	3.95%
9	Mercantile Bank	998.32	46.23	4.63%
10	Standard Bank	1741.35	51.13	2.94%
11	Meghna Bank	0	0	0.00%
12	Estern Bank	119.26	2.84	2.38%
13	Bank Asia	302.18	0	0.00%
14	Prime Bank	645.19	4.98	0.77%
15	Uttara Bank	3071.38	88.30	2.87%
16	Mutual Trust Bank	1234.33	11.41	0.92%
17	National Bank	2790.59	41.38	1.48%
18	Southeast Bank	815.00	2.57	0.32%
19	UCBl	659.43	165.92	25.16%

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20	South Bangla Bank	0	0	0.00%
21	NRB Commercial Bank	0	0	0.00%
22	Islami Bank	2610.00	392.60	15.04%
23	Al-ArafahIslami Bank	2622.52	59.63	2.27%
24	Social Islami Bank	457.53	0.37	0.08%
25	First Security Islami Bank	0	0	0.00%
26	Union Bank	0	0	0.00%
27	Janata Bank	8442.53	1135.65	13.45%
28	Rupali Bank	14114.99	706.15	5.00%
29	Rajshahi Krishi Unnayan Bank	64356.67	4334.74	6.74%
30	Kormoshantan Bank	1096.14	57.11	5.21%
31	Basic Bank	10757.07	12.25	0.11%
32	BDBL	9193.92	370.20	4.03%
33	Jamuna Bank	2984.91	54.76	1.83%
34	The City Bank	2817.66	75.40	2.68%
35	Dhaka Bank	1432.95	83.96	5.86%
36	NCC Bank	2243.66	32.89	1.47%
37	Pubali Bank	5006.08	450.25	8.99%
38	Commerce Bank	1319.67	0.02	0.00%
39	Premier Bank	335.96	242.93	72.31%
40	Shahjalal Islami Bank	2537.18	4.63	0.18%
41	Exim Bank	2662.46	77.55	2.91%

Source: Quarterly review, BB 2017

Table 3 expresses that total amount of NPL of banks and their recovery performance at the end of June 2017. The table also shows that RAKUB has the highest amount of NPL and the recovery as well. At the end of second quarter in 2017, RAKUB recovers 4334. 74 lac taka, which is 6. 74% of its NPL. Agrani Bank is at the second position. Agrani Bank recovers 2443. 45 lac taka which is 25. 16% of its NPL. Sonali Bank hold the third position in recovering classified loan and it is 2255. 00 lac, which is 9.19% of its total NPL. Highest percentage of recovery done by Premier bank and it is 242.93 lac taka out of 335.96 lac taka. A very few number of banks recover double digit percentage while others recovery performance is single digit. The lowest amount of recovery done by AB Bank Limited which is 0. 03% of its total NPL.

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Table 4: Status of law-suit of Banks (in lac taka)

S.N	Banks Name	Number	Taka	Number	Taka	Number	Taka	Number	Taka
1	Sonali	3035	5436.57	23	36.00	40	113.82	3052	5514.39
2	Agrani	1884	6699.82	43	70.67	34	35.25	1875	6664.40
3	IFIC	13	997.98	1	86.82	1	36.08	13	947.24
4	AB	2	184.29	0	0.00	0	0.00	2	184.29
5	One	0	0.00	0	0.00	0	0.00	0	0.00
6	Trust	14	75.88	1	2.04	8	42.18	21	116.02
7	DBBL	2	16.13	0	0.00	0	0.00	2	16.13
8	Brac	61	558.72	6	41.23	2	11.15	57	528.64
9	Mercantile	4	186.38	0	0.00	0	0.00	4	186.38
10	Standard	2	161.54	0	0.00	0	0.00	2	161.54
11	Meghna	0	0.00	0	0.00	0	0.00	0	0.00
12	EBL	16	102.27	0	0.00	1	5.92	17	108.19
13	Bank Asia	2	288.37	0	0.00	0	0.00	2	288.37
14	Prime	28	333.74	1	38.79	0	0.00	27	294.95
15	Uttara	99	2455.80	2	219.87	4	124.25	101	2360.18
16	MTBL	3	73.88	0	0.00	0	0.00	3	73.88
17	NBL	16	3361.31	0	0.00	0	0.00	16	3361.31
18	Southeast	1	192.73	0	0.00	0	0.00	1	192.73
19	UCBL	2	620.55	0	0.00	0	0.00	2	620.55
20	South Bangla	0	0.00	0	0.00	0	0.00	0	0.00
21	NRB Commercial	0	0.00	0	0.00	0	0.00	0	0.00
22	Islami	9	212.00	1	17.40	0	0.00	8	194.60
23	Al-Arafah	7	1794.07	0	0.00	1	373.32	8	2167.39
24	SIBL	1	258.31	0	0.00	0	0.00	1	258.31
25	First Security	0	0.00	0	0.00	0	0.00	0	0.00
26	Union	0	0.00	0	0.00	0	0.00	0	0.00
27	Janata	1510	5708.11	16	59.23	34	484.10	1528	6132.98
28	Rupali	478	3615.41	16	232.50	13	84.54	475	3467.45
29	RAKUB	8885	10568.20	166	162.08	55	112.61	8774	10518.73
30	Kormoshantan	737	374.46	33	30.28	22	23.90	726	368.08
31	Basic	1	997.97	0	0.00	0	0.00	1	997.97
32	BDBL	20	4770.60	0	0.00	1	2394.20	21	7164.80
33	Jamuna	8	921.19	1	49.69	0	0.00	7	871.50
34	The City	18	768.98	0	0.00	6	713.37	24	1482.35
35	Dhaka	2	204.74	0	0.00	0	0.00	2	204.74
36	NCC	26	2280.04	0	0.00	1	48.62	27	2328.66
37	Pubali	15	3232.00	0	0.00	1	53.75	16	3285.75
38	Commerce	0	0.00	0	0.00	0	0.00	0	0.00
39	Premier	0	0.00	0	0.00	0	0.00	0	0.00
40	Shahjalal Islami	27	3179.48	1	122.00	3	1687.59	29	4745.07
41	Exim	15	2090.83	0	0.00	0	0.00	15	2090.83

Source: Quarterly Review, BB 2017

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Table 4 depicts the law-suit status of banks for recovery of defaulted loan from their defaulted borrower, how many suits are settled and how many new suit made and what is the claim amount of those suit. Banks made suit against their default borrower for recovering classified loan. Different types of suits can be made under different laws and act like certificate suit and orthor in suit. As per the categories of the loan banks made different suits. Banks made lots of suits for recovering their defaulted loan except BCB, Premier, One, Meghna, NRB, First Security, Union and South Bangla Agriculture & Commerce bank. At the end of the second quarter in2017, RAKUB has 8774 suits which is highest in number among all of the banks and its claim amount is 10518.73 lac taka. RAKUB gives a large number of agricultural loans to the farmers. The size of this loan is very small. For recovery of those loans RAKUB made a large number of suits. From the above table it is clear that state owned commercial banks have large number of suit compare to the private commercial banks. But by the few suits private commercial banks claim huge amount of taka. Private commercial banks loan portfolio is smaller in number than state owned commercial banks but they financed more than SOCBs. That's why when PCBs loans become classified and they suit a file against them the claim amount is very high.

Table 5: List of banks classified loan above 10% (in lac taka.)

S.N	Name of the Bank	Total Loan	Classified loan	%
1	Janata	75089.48	8442.53	11.24%
2	Rupali	64557.62	14114.99	21.86%
3	RAKUB	235743.77	64356.67	27.30%
4	Kormoshantan	8989.54	1096.14	12.19%
5	Basic	20918.71	10757.07	51.42%
6	BDBL	12526.62	9193.92	73.40%
7	Jamuna	21106.07	2984.91	14.14%
8	The City	19662.66	2817.66	14.33%
9	Dhaka	13458.91	1432.95	10.65%
10	NCC	10982.58	2243.66	20.43%
11	Pubali	36071.63	5006.08	13.88%
12	Commerce	2219.76	1319.67	59.45%
13	Premier	2943	335.96	11.42%
14	Shahjalal Islami	17310.4	2537.18	14.66%
15	Exim	12124.4	2662.46	21.96%

Source: Quarterly review, BB 2017

Table 5 represents the amount of total loan disbursement, NPL of those banks who have NPL more than 10%.At the end of the second quarter of 2017, 15 banks have NPL more than 10% of their total loan outstanding. BDBL has the maximum NPL which was 73.40% and Dhaka Bank has the minimum NPL which was10.65%. RAKUB has the highest amount of NPL and Premier Bank has the lowest amount of NPL.

Table 6: List of Bank's classified loan below 10% (in lac taka.)

S.N	Name of the Bank	Present quarter(April-June/17)		
		Total Loan	Classified loan	%
1	Sonali	271558.00	24541.00	9.04%
2	Agrani	100816.56	9712.73	9.63%
3	IFIC	18210.81	1062.2	5.83%
4	AB	37437.65	503.74	1.35%
5	One	5038.81	5.07	0.10%
6	Trust	30615.89	625.56	2.04%
7	DBBL	4877.63	120.11	2.46%
8	Brac	35797.6	1399.75	3.91%

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9	Mercantile	25385.12	998.32	3.93%
10	Standard	43288.62	1741.35	4.02%
11	Meghna	4419.49	0	0.00%
12	EBL	4141.02	119.26	2.88%
13	Bank Asia	6938.02	302.18	4.36%
14	Prime	13497.95	645.19	4.78%
15	Uttara	34806.29	3071.38	8.82%
16	MTBL	18011.7	1234.33	6.85%
17	NBL	37510.29	2790.59	7.44%
18	Southeast	8341.34	815	9.77%
19	UCBL	7388.01	659.43	8.93%
20	South Bangla	6256.8	0	0.00%
21	NRB Commercial	953.61	0	0.00%
22	Islami	210634.8	2610	1.24%
23	Al-Arafah	32837.83	2622.52	7.99%
24	SIBL	18688.25	457.53	2.45%
25	First Security	1297.6	0	0.00%
26	Union	1051	0	0.00%

Source: Quarterly review, BB 2017

Table 6 represents the amount of total loan disbursement, NPL of those banks have NPL less than 10%. At the end of the second quarter in 2017, 26 banks have classified loan less than 10%. Southeast Bank has the maximum NPL which was 9.77%. Few banks newly started their operation in Rangpur division that's why they don't have any NPL like Meghna Bank, NRB commercial Bank, First security Islami Bank, Union Bank and South Bangla Agriculture & commerce bank. RAKUB has the highest amount of NPL and Premier Bank has the lowest amount of NPL. Sonali Bank is at the top in terms of amount of NPL which was 24541. 00 lac taka.

Table 7: Top ten defaulter's status in terms of Banks classified loan (in lac taka)

S.N.	Name of the Bank	Total Outstanding	Total classified loan	Amount in Top ten classified loan	% (of top ten defaulter's)	% (of non-performing loan)
1	Sonali	271558.00	24541.00	5943.00	2.19%	24.22%
2	Agrani	100816.56	9712.73	3454.26	3.43%	35.56%
3	IFIC	18210.81	1062.20	907.04	4.98%	85.39%
4	AB	37437.65	503.74	503.74	1.35%	100.00%
5	One	5038.81	5.07	5.07	0.10%	100.00%
6	Trust	30615.89	625.56	449.53	1.47%	71.86%
7	DBBL	4877.63	120.11	48.28	0.99%	40.20%
8	Brac	35797.60	1399.75	412.60	1.15%	29.48%
9	Mercantile	25385.12	998.32	543.57	2.14%	54.45%
10	Standard	43288.62	1741.35	882.04	2.04%	50.65%
11	Meghna	4419.49	0.00	0.00	0.00%	0.00%
12	EBL	4141.02	119.26	100.05	2.42%	83.89%
13	Bank Asia	6938.02	302.18	299.18	4.31%	99.01%
14	Prime	13497.95	645.19	520.79	3.86%	80.72%
15	Uttara	34806.29	3071.38	1571.85	4.52%	51.18%

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16	MTBL	18011.70	1234.33	290.52	1.61%	23.54%
17	NBL	37510.29	2790.59	2510.49	6.69%	89.96%
18	Southeast	8341.34	815.00	663.49	7.95%	81.41%
19	UCBL	7388.01	659.43	642.13	8.69%	97.38%
20	South Bangla	6256.80	0.00	0.00	0.00%	0.00%
21	NRB Commercial	953.61	0.00	0.00	0.00%	0.00%
22	Islami	210634.80	2610.00	1553.50	0.74%	59.52%
23	Al-Arafah	32837.83	2622.52	1965.56	5.99%	74.95%
24	SIBL	18688.25	457.53	457.53	2.45%	100.00%
25	First Security	1297.60	0.00	0.00	0.00%	0.00%
26	Union	1051.00	0.00	0.00	0.00%	0.00%
27	Janata	75089.48	8442.53	2432.54	3.24%	28.81%
28	Rupali	64557.62	14114.99	7489.18	11.60%	53.06%
29	RAKUB	235743.77	64356.67	8120.86	3.44%	12.62%
30	Kormoshantan	8989.54	1096.14	69.99	0.78%	6.39%
31	Basic	20918.71	10757.07	10232.16	48.91%	95.12%
32	BDBL	12526.62	9193.92	6233.19	49.76%	67.80%
33	Jamuna	21106.07	2984.91	2483.82	11.77%	83.21%
34	The City	19662.66	2817.66	2629.67	13.37%	93.33%
35	Dhaka	13458.91	1432.95	1260.86	9.37%	87.99%
36	NCC	10982.58	2243.66	1536.85	13.99%	68.50%
37	Pubali	36071.63	5006.08	2259.57	6.26%	45.14%
38	Commerce Bank	2219.76	1319.67	1319.67	59.45%	100.00%
39	Premier	2943.00	335.96	335.96	11.42%	100.00%
40	Shahjalal Islami	17310.40	2537.18	2303.94	13.31%	90.81%
41	Exim	12124.40	2662.46	1745.62	14.40%	65.56%

Source: Quarterly review, BB 2017

Table 7 provides the scenario of the top ten defaulters at the end of June 2017.The highest amount of NPLis given by Basic Bank Ltd. to its top ten borrowers which is Taka. 10232.16 lac and 95.12% and lowest amount given by Karmosangsthan Bank which is Taka. 69.99 lac and 6.39%.

Figures in Table 7 expose the figures of total loan disbursement of banks, amount of classified loan among those disbursements and how much taka is centralized to the top ten defaulters of the banks. It appears that the highest amount of classified loan is given by Sonali Bank Ltd. which is Taka.5943lac and lowest amount is from One bank Ltd. which is Taka.5.07 lac. The highest percentage of credit hold by top ten borrowers of the banks is 100%, that means those banks all classified loan is concentrated to only ten borrowers. Bangladesh Commerce Bank, Premier Bank, AB Bank, One Bank and Social Is lami Bank have 100% credit to their ten borrowers. The classified loan is highest 100% and lowest is 24.21% respectively.

VI. Findings

Major findings are given below:

- NPL is very high in SOCBs rather than PCBs in Rangpur region (Table-1). Due to have huge number of state-owned commercial banks operating in the study area than the PCBs.
- Recovery rate of SOCBs is lower than PCBs (Table-3).
- Law suit made by SOCBs is very much higher than PCBs but PCBs claims large amount of money against few number of law suit (Table-4).
- SOCBs recovery rate is lower than PCBs (Table-3) due to close supervision among the parties and banks.
- It is seen that top ten large loan defaulter case is lower in SOCBs than PCBs (Table-7). Since PCBs have concentrated to the big borrowers this is why large loan default case is created.

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VII. Recommendations

Banks play vital role in the economy of Bangladesh. Non-performing loan and other obstacles face by banks create barrier to making profit. From this study it was found that t reasons behind non-performing loans are pressure from political parties, poor monitoring & controlling system of SOCBs, improper management, concentration on a particular area, improper sanctioning, lack of timely action, delay in disbursement of credit, unwillingness of borrowers etc. On the basis of these problems some recommendations are given by the researcher for mitigating non-performing loan to the commercial banks operating in Rangpur region. Those are given below:

- NPL is comparatively high in SOCBs rather than PCBs. SOCBs management face lots of pressure from political parties. Bank management can't work freely by being appointed by ruling parties. For that reason, few loans are given to the entrepreneurs who are very influential or political persons. These types of loan rarely recovered. Sometimes government gives advice to the SOCBs to distribute loans in specialized sector as their political agenda. These types of loan also rarely recovered. If banks can free from political pressure, default case will decrease in SOCBs.
- Loan recovery is very much important for banks. If banks fail to recover its credit, then banks losses its assets as well as its earnings. PCBs loan recovery status is much higher than SOCBs. This may happen for PCBs management's responsibilities levied by them. PCBs management's responsibilities are much higher than SOCBs managements because PCB's management jobs duration depends on their performance. For that reason, PCBs managements scrutinize all the steps in giving loan from the beginning. It starts from proper borrower selection. It reduces the chance of being defaulted. Second step is Proper documentation. Proper documentation is essential for loan disbursement. Without proper documentation, it is not possible for banks to recover loan by taking legal action. Faulty documentation creates faulty credit line for banks. So documentation must be needed for smooth supervision and efficient lending.
- SOCBs given lots of credit in diversified area compared to the PCBs. This high number of credit makes difficulties for proper supervision and monitoring. Sometimes SOCBs gives very small amount of credit compared to their total loan outstanding. Unfortunately SOCBs management gives less focus to this type of credit. For that reason, this type of credit often being default credit. So SOCBs also gives special focus to all credit like PCBs and try to reduce huge number of credit line.
- For huge number of credits, default cases also in huge in number compared to PCBs. For recovery of those default credits, SOCBs file large number of law-suit but their volume is lower than PCBs. It is very much difficult to operate those law-suit and most of the cases it is not viable.
- Large loan default case is much higher in PCBs than SOCBs. This happens when PCBs managers try to catch a big fish. For fulfilling their yearly target in loan disbursement and profit earnings, they gives loan in higher amount to the another banks customers. Here an unhealthy competition has grown as lots of PCBs newly started but new entrepreneurs are not grown. PCBs should avoid this unhealthy competition and try to find out more reliable entrepreneurs. They should invest in versatile business such as small and cottage industries.

VIII. Conclusion

As a small country, Bangladesh already has 57 scheduled banks. There are many non-scheduled banks and financial institutions also operated their businesses. Rangpur, a new division, does not have massive industrialization for its geographic location. Although few new industries has been established but not in large number. In these circumstances, new entrepreneurs are not commencing to start a large scale business. Recently new number of commercial banks have been started their business to disburse big-volume-loan in the study area and searching those kinds of enterprises for lending. Therefore, unhealthy competition begins among the managers of PCBs rather than SOCBs as they required to fulfill their yearly targets. Banks should be more cautious in selecting entrepreneurs by scrutinize the previous history and ability. Banks business mostly depends on the smooth recovery of the loan. SOCBs are in deep water by NPL by losing their capital. A very few number of banks NPL are more than 50%. This is alarming for the bank industry. Government tries to keep running banks by injecting fund every year. If PCBs face this problem severely, the situation may be worsening. Necessary precaution, real time solution and sufficient guidelines should be taken for make over the situation. Bangladesh bank can play a vital role in mitigating this problem. Government should have taken positive initiative to make new industries as well as entrepreneurs in Rangpur region so that banks find new opportunities for investment.

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