



## **Project Report**

**On**

## **Study on Non-Performing Loan: A Case of NCC Bank Ltd.**

**Md. Sabbir Shikder Redoy**

**ID: 2163011028**



# Uttara University

**Project on**

**“Study on Non-Performing Loan:  
A Case of NCC Bank Ltd.”**

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Submission Date: 4<sup>th</sup> October 2020

## Letter of Transmittal

4<sup>th</sup> October 2020

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School Of Business, DBA

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**Subject:** Submission of project Report on “**Study on Non-Performing Loan: A Case of NCC Bank Ltd**”

Dear Ma’am,

With due respect, I beg to inform you that, I am a student of BBA, 41st batch & dept. of DBA at Uttara University. I am very glad to submit you my project report prepared on “Study on Non-Performing Loan: A Case of NCC Bank Ltd”

I have given my best effort to prepare the report with relevant information that I have collected from various sources during my project program from 20th June to 4th October 2020.

I pray and hope that the mistake of the report may have, will be kindly excused. So I cordially request to you evaluating this report & enough kind to receive this report.

Yours Sincerely,

Md. Sabbir Shikder Redoy

ID: 2163011028

Batch: 41<sup>st</sup>

Program: BBA Major in Finance

Uttara University

## **Declaration by Student**

I declare that the Project Report on “**Study on Non-Performing Loan: A Case of NCC Bank Ltd**” Includes the results of my own research works, pursued under the supervision of Nusrat Jahan , Assistant Professor, School of Business, Uttara University.

I also declare that the project report is prepared for academic purpose only. This report is not submitted by others.

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Md. Sabbir Shikder Redoy

ID: 2163011028

Batch: 41<sup>st</sup>

Program: BBA Major in Finance

## **Declaration by Supervisors**

This is to certify that, Md. Sabbir Shikder Redoy is a student of BBA (Major in Finance) of the Department of Business Administration & ID no. 2163011028 has successfully completed Project on “Study on Non-Performing Loan: A Case of NCC Bank Ltd” from 20st June to 4th October 2020. On the basis of his successful completion of Project program, he has prepared the report under my supervision.

I wish his every success.

---

Nusrat Jahan

Assistant Professor

DBA, Uttara University

## Acknowledgment

At first, I would like to express my profound gratefulness to almighty Allah for giving me strength and mobility to finish the report within time Then, I congratulated and lay my sincerest thankfulness to my honorable supervisor Nusrat Jahan, Assistant Professor, School of Business Uttara University .For his help, encouragement, guidance, and valuable suggestions throughout the entire period of this study, within which it could not have been feasible to submit this report on time. It was an eminent scope for me to complete this report on “**Study on Non-Performing Loan: A Case of NCC Bank Ltd**” Uttara Branch. Finally, I am fortunate for the aid and encouragement I have received from all of my teachers and friends and students of Uttara University.

Md. Sabbir Shikder Redoy

ID: 2163011028

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## **Abstract**

Non-performing loan is a loan that is in default or close to being in default. Non-performing loans (NPLs) badly affects the health of banking sector and also economy of the nations. The main aim of this paper is to analyze the recent trend of NPLs in banking sector with reference to Bangladesh. The present study is based on the secondary data which have been collected from the report of Bangladesh Bank and websites of the scheduled banks of Bangladesh from the year 2003 to 2018. The study revealed that NPLs are the burning problems of the banking sector in Bangladesh for last few decades. The international standard of NPL is 2 percent or below but in our country it is much higher. The NPL percentages in Bangladesh are 5 to 6 times higher than the standard which is alarming for the sector. According to the reports of Bangladesh Bank (central bank of Bangladesh) Non Performing Loans ratio stood at 10.30 % in December 2018, 9.31 percent in December 2017, 9.23 percent in December 2016 and 8.79 percent in December 2015. It is observed that the NPL ratio is growing successively with the passage of time. So, as a credit controlling authority Bangladesh Bank should give more emphasize on the NPLs of commercial banks.

# **Chapter 1**

## **1.1 Introduction**

## **1.2 Justification of the study**

## **1.1: Introduction:**

NCC Bank Limited or National Credit and Commerce Bank Limited is a Bangladeshi private commercial bank. National Credit and Commerce Bank Ltd. bears a unique history of its own. The organization started its journey in the financial sector of the country as an investment company back in 1985. The aim of the company was to mobilize resources from within and invest them in such way so as to develop country's Industrial and Trade Sector and playing a catalyst role in the formation of capital market as well. Its membership with the browse helped the company to a great extent in these regard. The company operated upto 1992 with 16 branches and thereafter with the permission of the Central Bank converted into a fully fledged private commercial Bank in 1993 with paid up capital of Tk. 39.00 crore to serve the nation from a broader platform.

Since its inception NCC Bank Ltd. has acquired commendable reputation by providing sincere personalized service to its customers in a technology based environment.

The Bank has set up a new standard in financing in the Industrial, Trade and Foreign exchange business. Its various deposit & credit products have also attracted the clients-both corporate and individuals who feel comfort in doing business with the Bank.

Every one of those unfriendly effect of NPLs on banks' money related wellbeing, for example, low gainfulness and low capital base are obviously reflected in Bangladesh keeping money segment. Be that as it may, the business banks of our nation (particularly the state possessed banks) are neglecting to do their consistent business exercises due to non-performing credits. The saving money industry particularly the business banks need to keep up a few principles and directions of Bank Company Act 1991 and time-to-time rules of Bangladesh Bank (Central Bank of Bangladesh). In this paper, I display how to decide the genuine sum, reason for non-performing advances in our business banks; nonetheless, the business banks of our nation (particularly the state possessed banks) are neglecting to do their consistent business exercises due to non-performing credits. The managing an account industry particularly the business banks need to keep up a few standards and controls of Bank Company Act 1991 and time-to-time rules of Bangladesh Bank (Central Bank of Bangladesh)

## **1.2: Justification:**

- The key necessary of the study is to see reason and current situation of bad loan at NCC Bank Ltd.
- This knowledge guides me to understand about NPLs loans in banking.
- By this study I want to know what kinds of NPLs loan have existed in this bank.
- In this paper included some reason behind of NPL and give some recommendation, I hoped that these recommendation will help to overcome problems of NPL.
- As BBA Program student and my major area is Finance. In future I want to work in banking sector so this study gives me more knowledge about NPL.
- The future researchers will get idea about NPL and scenario which help for their research work.

# **Chapter 2**

## **2.1 Objectives of the study**

## **2.1: Objectives of the studies:**

- To find out the reason behind NPL in NCC Bank Ltd.
- To reveal the current condition of bad loan at NCC Bank Ltd.
- To find out mechanisms of reducing NPL of NCC Bank Ltd.

# **Chapter – 3**

## **3.1 Methodology**

### **3.1: Methodology:**

Every work has a methodology. On the way of the formation of this report, it has a methodology. Due to CORONA Pandemic the study is mainly based on secondary data related to NCC Bank.

#### **Way of data collection**

Secondary data and information have gathered from Books, Journals, research paper etc. This is an exploratory research based on – Data from Secondary Data Sources. Secondary data obtained through the Net, books and related journals including different publications: (i) Bangladesh Institution of Bank Management (ii) Bank for International Standard Working (iii) Papers International and local Publications (iv) Different seminar papers (v) Information from Internet. Here I also collect lots of information through banks journals.

In this report most of the information's are collected various articles. At first I selected some key words such as what are NCC Bank, features, structures, benefits, customer's satisfaction, problems. I put these key words in Google and Google Scholars. Than found many articles on my report from those articles I selected 7 important articles based on my topic. After collect articles numbering those articles from 1 to 7 which help me to preparing report appendixes. After collecting articles at first I read them very carefully and marked my important paragraph from those articles.

# **Chapter - 4**

## **4.1 Discussion**

## 4.1 Discussion

### 4.1.1: Objectives: To find out the reason behind NPL in NCC Bank Ltd.

Non-performing loans is one of the most severe problems that the banking sector is currently facing. The major causes of non-performing loans are lack of proper management, lack of effective corporate governance and monitoring of the banks, borrowers negligence in paying installments, lower GDP growth etc. NPL has a huge impact on the performance of the banks. The income and the profitability of the banks suffer due to increased non-performing loans in banks. The report analyzes the impact of corporate governance mechanisms in controlling the non-performing loans in banking sector of Bangladesh. The report has found that Non-performing loans has a positive relationship with insider ownership and government ownership. However, non-performing loans decrease with increase in foreign ownership. Non-performing loans also decreases with increase in CEO's salary and the number of audit members. The report has found that the board size and the board independence have no significant impact on the volume of non-performing loans in a bank. In order to control the default loans, the banks should use more constructive method to improve the credit operations such as background checking of the borrowers, checking feasibility of the project for which loan was taken and most importantly keeping track of the loan installments after the disbursement of the loans.

There are many reasons behind the rise of non-performing loans in the banking sector.

#### **Political influence:**

Political influence is one of the big reasons why defaulted loans are soaring. Political parties in power always use their influence to secure loans for the desired candidates. Over the years, many high officials have been appointed in the state-owned banks with political influence, who have put the banking sector in jeopardy by unethically giving loans to devious customers. A number of new banks were established on political grounds. Consequently, some third-generation banks were involved in massive loan scam which has resulted in significant damage to the financial health of the banking sector.

**Bad borrowers:** Issuing of loan to bad borrowers is another reason behind the rise of NPLs. Bank officials lack knowledge about the potential customers, thus they wrongly select bad borrowers who later turn into willful defaulters.

#### **Lack of effective corporate governance:**

Lack of good governance in the banking sector is another important factor behind the rise of NPLs. Big loan defaulters are getting various facilities to reschedule their payment of borrowed amounts. Due to lack of good governance, this problem is increasing. Enforcement of good governance—accountability, transparency and rule of law—can bring the banking sector to the right track.

### **Laws and regulations:**

Under our existing laws, it takes eight to ten years or more to resolve any bank-related case, especially those involving huge amounts. Moreover, there are many loopholes in the existing laws which work in favor of the loan defaulters.

The banking sector needs more stringent loan-issuing policies and their enforcement, in order to tackle the problem of NPLs. Bangladesh Bank should be given more authority and power so that it can take prompt initiatives to address the NPL crisis. Bangladesh should enrich its database and provide detailed information on loan defaulters, which can then act as a vetting factor in the selection process of clients.

Loan defaulters should be brought to book and their businesses should be curtailed. Bangladesh Bank officials should be able to exercise their power without fear and favor against loan defaulters. Political interference must be stopped in awarding loans and advances to borrowers. Governance in the banking sector should be made transparent and the governance bodies should be empowered to make objective decisions while issuing loans. It is only a combination of a strong political will and concerted efforts of all parties involved that can address the problem of non-performing loans; otherwise, the banking sector and our economy will have to pay the price for it.

### **Inadequate quality of customers:**

The small customers become defaulter without having any bad intention of loan default. They do not have adequate financial literacy for taking and servicing of loan and interest payment the reason. Some project loans are defaulted due to lack of knowledge about the project or business. Customers often start new business by taking loan from banks but they do not have any idea or knowledge about the new business. If the project does not run smoothly or the business is not properly handled by the concerned, the loan becomes default. It is one of the root causes of NPL.

**Unhealthy competition:**

Due to excess competition in the market, banks enhance facilities of excess loan to existing customers or exceed the limit sanctioned to the new customers to increase business volume. Then the customer invests the excess amount outside the designated business. Since the business volume is not increased, the customer cannot be error service the interest burden of the enhanced amount. The excess interest burden pushes the customer to the line of loan default. Now a days this phenomenon is common in banking industry.

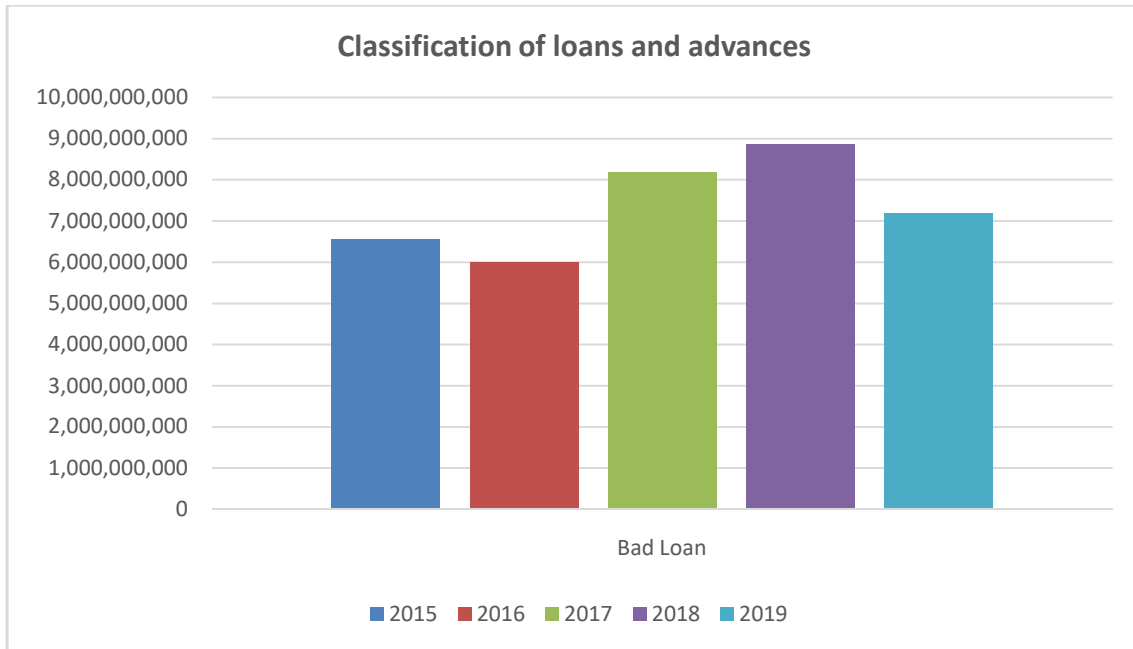
**4.1.2: Objectives: To reveal the current condition of bad loan at NCC Bank Ltd.**

I have collect five years annual report for bad loan by NCC Bank Ltd.

**Classification of loans and advances:**

<b>Year</b>	<b>Bad Loan(Taka)</b>
2015	6,569,298,747
2016	5,994,093,660
2017	8,195,889,154
2018	8,876,093,936
2019	7,190,293,451

**Table: 4.1** Classification of loans and advances



**Figures: 4.1** Classification of loans and advances

**Specific provision:**

<b>Bad Loan(Year)</b>	<b>Base for provision</b>	<b>Rate (%)</b>
2015	3,045,666,534	100%
2016	2,956,360,113	100%
2017	3,685,822,987	100%
2018	3,530,089,082	100%
2019	3,686,780,230	100%

**Table: 4.2** Specific provision



**Figures: 4.2 Specific provision**

**Outstanding bad loans to be written off (2015).**

Bangladesh Bank issued a circular no.02 dated 13 January 2003 instructing all banks in the country to write off bad & loss loans which have passed five years after its classification and legal actions have been taken against all those default borrowers with an immediate effect. In compliance with the circular, the Bank formed a Debt Collection Unit in its Head Office from where monitoring has been made accordingly. During the year, the Bank allowed write off amounting to Tk. 823,011,680/- against which legal actions have been lying with the money suit court. In this connection, branches have been maintained a separate ledger for all individual cases. The debt collection unit will follow-up the realization of such debts in future also and time to time a progress report to be given to the management by the branches.

### **Outstanding bad loans to be written off (2016).**

Bangladesh Bank issued a circular no.02 dated 13 January 2003 instructing all banks in the country to write off bad & loss loans which have passed five years after its classification and legal actions have been taken against all those default borrowers with an immediate effect. In compliance with the circular, the Bank formed a Debt Collection Unit in its Head Office from where monitoring has been made accordingly. During the year, the Bank allowed write off amounting to Tk. 83,05,37,688/- against which legal actions have been lying with the money suit court. In this connection, branches have been maintained a separate ledger for all individual cases. The debt collection unit will follow-up the realization of such debts in future also and time to time a progress report to be given to the management by the branches.

### **Outstanding bad loans to be written off (2017).**

Bangladesh Bank issued a circular no.02 dated 13 January 2003 instructing all banks in the country to write off bad & loss loans which have passed five years after its classification and legal actions have been taken against all those default borrowers with an immediate effect. In compliance with the circular, the Bank formed a Debt Collection Unit in its Head Office from where monitoring has been made accordingly. During the year, the Bank allowed write off amounting to Tk. 113,32,05,289/- against which legal actions have been lying with the money suit court. In this connection, branches have been maintained a separate ledger for all individual cases. The debt collection unit will follow-up the realization of such debts in future also and time to time a progress report to be given to the management by the branches.

### **Outstanding bad loans to be written off (2018).**

Bangladesh Bank issued a circular no. 02 dated 13 January 2003 instructing all banks in the country to write off bad & loss loans which have passed five years after its classification and legal actions have been taken against all those default borrowers with an immediate effect. In compliance with the circular, the Bank formed a Special Management unit in its Head Office from where monitoring has been made accordingly. During the year, the Bank allowed write off amounting to Tk. 124,67,43,855/- against which legal actions have been lying with the money

suit court. In this connection, branches have been maintained a separate ledger for all individual cases. The debt collection unit will follow-up the realization of such debts in future also and time to time a progress report to be given to the management by the branches.

### **Outstanding bad loans to be written off (2019).**

Bangladesh Bank issued a BRPD circular no. 01 dated 06 February 2019 instructing all banks in the country to write off bad & loss loans which have passed three years after its classification and legal actions have been taken against all those default borrowers with an immediate effect. In compliance with the circular, the Bank formed a Special Management unit in its Head Office from where monitoring has been made accordingly. During the year, the Bank allowed write off amounting to Tk. 138,67,21,818/- against which legal actions have been lying with the money suit court.

### **4.1.3: Objectives: To find out mechanisms of reducing NPL of NCC Bank Ltd.**

Reducing NPLs involves strengthening key aspects of the bank's lending procedures and developing a standardized recovery methodology. A bank with limited experience in effectively reducing NPLs should develop or acquire the specialized expertise needed to administer the problem loans and NPLs.

### **Mechanisms of reducing NPLs are given below:**

**Detect NPLs early:** To reducing NPLs, the first step is to find them. Early detection is central to any bank's ability to defend against and limit the impact of NPLs. Banks should not rely solely on lagging indicators, such as past due payments, which as it is much later in the process leaves the lender with fewer options to correct the situation and help the borrower. Banks must focus on leading indicators of problems e.g. increased use of overdraft, seeking new credit lines, slow payment of trade creditors, and late supply of information. These tend to indicate a growing need

four cash. Lenders who act only after being directly affected e.g., past due payments, are not acting in the best interest of their institution.

**Better to have a problem loan than an NPL:** It is far better if the lending department can work with the customer to resolve the problem rather than the customer go into default and after 45 days be transferred to the loan Workout Department.

**Never rely on security:** The bank to be sure that the collateral is protected and will not deteriorate, this costs the bank money. Then, it must be sure that they have legal title to the collateral and are entitled to sell it, which usually results in a few nasty surprises. Finally, the bank must get title and sell the collateral. All the buyers will know that the bank is a forced seller and will under-bid.

**Management analysis:** A thorough analysis of borrower's management must be conducted prior to the loan disbursement that might involves a review of the general management capabilities, crisis management capabilities, management's integrity and turnaround management capabilities.

**Financial statement analysis:** Financial statement analysis attempts to evaluate, from a financial perspective, the company's performance in the light of the causes and viability of the core businesses. The viability of a borrower's core business is generally driven by the overall demand for the company's product or service, their ability to generate sales in excess of its break-even, their ability to consistently generate positive cash flow and their ability to cut costs sufficiently to make the business viable again

**Comprehensive strategic plans:** The best practice four banks focusing on reducing NPLs is to develop comprehensive strategic plans detailing on how they will deal with NPLs in a systematic way. Asset classes are typically split into two main categories: (i) retail loans – consumer and mortgage loans – and (ii) non-retail loans – mainly commercial real estate, SME and corporate loans. The strategy must be adapted four each asset class and be realistic and achievable by creating sustainable long-term work-out solutions in a capital-efficient and cost-effective manner.

**Establishing of an AMC:** Establishment of an Asset Management Company (AMC), that is a legally separated entity tasked with purchasing, managing and ultimately disposing the NPLs of one or more banks can be an NPL reduction strategies. Banks can sell their NPLs to a national AMC established by the Government for this purpose. At present such schemes are national and only exist in a minority of countries, in part due to limitations related to EU State Aid and burden sharing, as well as the complexity of setting up such structures. Policymakers including the European Banking Authority (EBA) are driving a debate on the establishment of a pan-EU AMC, or a blueprint to facilitate the establishment of additional national AMCs.

**Third party risk-sharing agreement:** Banks can enter into a joint venture risk-sharing agreement with a third party under which the non-performing assets remain on the bank's balance sheet but the bank shares both the upside and the downside from the management of the portfolio.

# **Chapter – 5**

## **5.1 Future Forward**

## 5.1: Future Forward

The study recommends further studies to:

Relationship between business management skills and nonperforming loans:

In this case the researcher should investigate clearly on how business management skills can lead to non-performing loans, which is how far does business management skills influence the performing loans. The relationship between credit policy and non-performing loans:

- In this case, further researchers should show deeply how non-performing loans can be caused by credit policy as long as it is through the credit policies of the bank which govern the credit issues. Effects of nonperforming loans on bank performance.
- A clear assessment of the effects of non-performing loans to bank performance should be researched by the further researchers.
- The contribution of nonperforming loans on financial crisis.
- In this case the researcher should assess the contribution of non-performing loans to the financial crisis.
- Risk management of nonperforming loans.
- Further research should be conducted on how non-performing loans as a risk should be managed.

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6. Ghosh, R., Sen, K. K., & Riva, F. (2020). Behavioral determinants of nonperforming loans in Bangladesh. *Asian Journal of Accounting Research*.
7. Zaman, M. N. (2020). Non-Performing Loans Portfolio in the Banking Sector of Bangladesh and Recovery Status: A Study on Rangpur Region. *Global Journal of Management and Business Research*.

## Appendix

### Appendix I Introducing Consulted Articles

SI No	Article Title	Author(s)	Journal Name	Volume & Issue	Year	Publisher
1	The Impacts of Non-Performing Loan on Profitability: An Empirical Study on Banking Sector of Dhaka Stock Exchange	Rozina Akter Jewel Kumar Roy	International Journal of Economics and Finance	Volume-9 Issue-3	2017	academia.edu
2	Impact of Financial Ratios on Non-Performing Loans of Publicly Traded Commercial Banks in Bangladesh	Md. Aatur Rahman Md. Asaduzzaman Md. Shakhaowat Hossin	International Journal of Financial Research	Volume-8 Issue-1	2017	academia.edu
3	Non-Performing Loans in Banking	Dhanonjoy Kumar Md. Zakir	International Journal of Applied Economics,	Volume-6	2020	academicpress.com

	Sector of Bangladesh: An Evaluation	Hossain Md. Saiful Islam	Finance and Accounting	Issue-1		
4	Causality Between GPD Growth and Non-performing Loans in Bangladesh: A Toda-Yamamoto Approach	Md. ZiaulHasan	International Journal of Finance and Banking Research	Volume-5 Issue-5	2019	Scincepublishing group.org
5	Determinants of Non-performing Loans: A Comparative Study of Bangladesh	Muhammad Waqas, Nudrat Fatima Aryan Khan Muhammad Arif	Journal of Finance & Banking Studies	Volume-6 Issue-1	2017	ssbfnet.com
6	Behavioral determinants of nonperforming loans in Bangladesh	Ratan Ghosh Kanon Kumar Sen	Asian Journal of Accounting Research	Volume-1 Issue-1	2020	emerald.com
7	Non-Performing Loans Portfolio in	Mst. Nishrat Zaman	Global Journal of Management and	Volume-20	2020	journalofbusiness.org

	the Banking Sector of Bangladesh and Recovery Status: A Study on Rangpur Region		Business Research	Issue-1		
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## Appendix II

### Compilation of Objectives/ Purposes/ Questions/Hypotheses Addressed by the Articles

Article	Objectives/ Purposes/ Questions/Hypotheses
1	<p>To identify the current situation of profitability of listed commercial banks at Dhaka Stock Exchange for year 2008 to 2013.</p> <p>To explore the significance of relationships between the variables related to Non-Performing Loan (NPL) &amp; Profitability.</p> <p>To suggest a set of remedial measures through logical arguments.</p>
2	<p>Many studies on the causes of bank failures have found that institutions facing financial distress have higher proportions of non-performing loans prior to failure and that asset quality demonstrates a statistically significant forecaster of insolvency (Berger and DeYoung, 1997). According to the research by Havrilesky and Boorman (1976), interest on loans contributed significantly to interest income of commercial banks. Reed and Gill (1989) pointed out that usually 85% of commercial banks income is contributed by interest on loans. Loans therefore represented the majority of bank's assets (Saunders and Cornett, 2005). Lending is not an easy task for banks because it created a big problem which is called NPLs (Upal) 2009.</p>
3	<p>To know and measure the present as well as future trends of NPLs in Bangladesh. To find out the effects of NPLs in Bangladesh's economy.</p> <p>To compare the management and also various policies to reduce NPLs in Bangladesh.</p>
4	<p>To look for the default rates of different banks</p> <p>To look for the reasons behind the band quality of assets</p> <p>To have a justification on recovery.</p>

	To find proper solution provide by the banks
5	<p>There is a positive and significant relationship between INEF and NPLs.</p> <p>There is a negative and significant relationship between SK and NPLs.</p> <p>There is a negative and insignificant relationship between NII and NPLs.</p> <p>There is a negative and significant relationship between ROE and NPLs.</p> <p>There is a positive and significant relationship between PCP and NPLs.</p> <p>There is a positive and significant relationship between LR and NPLs</p>
6	<p>NPLs have become a critical factor for banks' performance as well as sustainable economic development of Bangladesh. Numerous studies for instance, Park and Zhang (2012), Ikram et al. (2016), Radivojevic and Jovovic (2017), Fajar and Umanto (2017), Rajha (2017), Umar and Sun (2017), Khatun and Ghosh (2019), etc. have identified many possible reasons of NPLs in different country perspective. Most of these findings can be divided into bank specific factors comprising solvency ratio, net profit margin, inefficiency ratio, loan to deposit ratio, market power ratio, reserve ratio, credit growth, leverage, credit terms, differentiated loan products, ownership concentration, etc. and macroeconomic factors comprising real GDP growth, lending interest rate (LIR), unemployment, inflation, exchange rate, etc</p>
7	<p>To give an overview of the recovery status of nonperforming loans;</p> <p>To analyze legal status to recover loans from the defaulters;</p> <p>To compare the NPLs scenario between SOCBsand Private PCBs; and</p> <p>To recommend some suggestions in recovering these NPLs.</p>

**Appendix III**  
**Compilation of Methods**

Article	Methods
1	<p>Secondary data has been used for the study. For the analysis, 30 listed commercial banks i.e. AB Bank Limited, Al-ArafahIslami Bank, Bank Asia Limited, BRAC Bank Limited, City Bank, Dhaka Bank, Dutch-Bangla Bank, Eastern Bank, Export Import (Exim) Bank of Bangladesh, First Security Islami Bank Limited, ICB Islamic Bank Limited, IFIC Bank, Islami Bank, Jamuna Bank Limited, Mercantile Bank Limited, Mutual Trust Bank Limited, National Bank Limited, National Credit and Commerce Bank Limited, One Bank Limited, Premier Bank Ltd., Prime Bank, Pubali Bank, Rupali Bank, ShahjalalIslami Bank Ltd., Social Islami Bank Limited, Southeast Bank, Standard Bank Limited, Trust Bank Limited, United Commercial Bank Limited and Uttara Bank are considered as our sample. For this study, data has been collected from the annual reports of the selected banks, survey report &amp; some confidential information from BB library. The collected data has been processed &amp; analyzed manually &amp; with the electronics device.</p>
2	<p>A sample of 96 secondary observations has been collected from audited financial statements of 20 banks out of 30 publicly traded commercial banks during 2010-2015. To make sure valid estimates of the measures, an observation is incorporated only when it satisfies certain criteria like availability and completeness of data. Financial ratios that can affect the gross non-performing loan (dependent variable) are identified as independent variables.</p>
3	<p>The study followed a quantitative approach to achieve the objectives of this study, which was descriptive in nature. The main aim of this study is to find out the facts and figures that are associated with NPLs in the banking sector of Bangladesh. To ascertain the above-mentioned objectives as well as to draw the major findings and to put the appropriate recommendations researchers have used both primary and secondary data. Secondary data are cheaper and more obtainable than the primary data. The secondary data have been collected from</p>

	<p>published reports of newspaper, annual report of Bangladesh central bank (Bangladesh Bank) annual report of related scheduled banks annual reports, related books, journals, articles, seminar paper, publications from national and international research institutions, report of different financial institutions, public records and statistics, different research reports etc. Some simple statistical tools and graphical presentation used in this study. Primary data were collected from the employees of the banks.</p>
4	<p>GDP growth rate of Bangladesh and NPL data of all the 56 scheduled banks in Bangladesh is collected from secondary sources for the period from 2000 to 2017. NPL data is collected from Annual Reports of Bangladesh Bank of different years. GDP growth rate data is collected from World Bank group database.</p>
5	<p>The study is using annual data for 16 years sample starting from 2000 to 2015, to explore determinants of the credit risk in banking sectors. The empirical study uses the cumulative figure of explained and explanatory variables. Where non-performing loans are the explained variable, while explanatory variables are classified; bank-specific and macroeconomic factors. Bank-specific variables are Inefficiency, Noninterest income, Profitability, Leverage, Capital Ratio, Bank Size. While macroeconomic variables are GDP growth, Inflation Rate, Real Interest Rate, Real Effective Exchange Rate and Unemployment Rate. The population of the study includes 40 listed financial firms of the Pakistan Stock Exchange, 38 listed financial firms of the Bombay Stock Exchange and 27 listed financial firms of the Dhaka Stock Exchange. The sources for data regarding bank-specific variables are collected from “Balance Sheet Analysis 2006-2014”, 2000-2005 and 2015 annual report of the financial firms listed at Pakistan Stock Exchange. The data regarding bank-specific variables of India and Bangladesh financial firms are collected from 2000-2015 annual reports of individual firm listed at Bombay Stock Exchange and Dhaka Stock Exchange respectively. While Macroeconomic variables data are collected from the database of International Financial Statistics (IFS), World Bank Database.</p>

6	<p>This study uses appropriate and relevant data to analyze the hypothetical relationship among the variables prescribed by Cooper and Schindler (2006). This study has collected data for this purpose at once and carried out a cross-sectional analysis (Sekaran and Bougie, 2010). Data are collected from knowledgeable bankers who closely work credit risk management, credit supervision, corporate finance and loan recovery department. A structured questionnaire was designed to collect this primary data. This questionnaire survey method is appropriate while examining the hypothetical relationship among the proposed variables and constructs, which are sociological in nature for instances, attitudes, beliefs, opinions and preferences (Salkin, 2006). Finally, the analysis is conducted to obtain an Nonperforming loans in Bangladesh empirical support for these hypothesized relationships through structural equation modeling (SEM).</p>
7	<p>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.</p>

**Appendix IV**  
**Complication of Conclusions**

<b>Article</b>	<b>Conclusions</b>
<b>1</b>	As lending is the most profitable investment for commercial banks, non-performing loan has effect on profitability of the commercial banks. In this study, we tried to show the impact of non-performing loan on banks profitability. It's time to work with non-performing loan as the funds that are given to the borrowers as loans must be safe and are recovered and when due. Banks do business with depositor's money, if banks can't get depositors fund when they want, there might be a vulnerable situation in the industry. Public may lose confidence from the bank, which may create run on the bank. As a result profitability of the bank can be negatively affected. The suggestions given above can be taken into consideration to reduce non-performing loan. Also as the mother bank of the country, Bangladesh bank has some role to play to ensure sound environment in the banking industry
<b>2</b>	In this study, we applied an econometric model that facilitated to identify the influences of financial ratios on non-performing loans of listed commercial banks in Bangladesh. A sample of 96 observations has been analyzed during 2010-2015 and we found strong correlations between gross non-performing loans and various bank-specific financial ratios. This paper shows the cause-effect relationship between the financial ratios (independent variables) and gross non-performing loans (dependent variable) in Bangladesh.
<b>3</b>	Bank should have adequate and reliable information about clients, good credit policy, conduct appropriate credit appraisal, and train their customers on business, management, financial, entrepreneurships and book keeping skills. In order to reduce non-performing loans customers should be trained on different business skills like the general business management skills, financial services skills, and accounting and book keeping skills. To takes some action plan for potential NPLs. Banks should take some steps to collect the Non-Performing Loans. Classification of extremely risk responsive borrowers in the credit portfolio. Banks should take reliable information about the clients and about business before giving the loans. In order to

	<p>reduce the defaulted loan in Bangladesh, good governance in the banking sector is very much needed for instance banking must stop the family business and there should be strict monitoring cell to observe loan recovery system</p>
4	<p>Non-performing loans are considered as one of the most hazardous factors for any Banking industry. The banks having high level of NPLs requires to keep higher level of provision for loan loss that decreases the bank's revenue and reduces the funds for new lending. This study attempts to investigate the causal relationship between GDPGR and NPLR in in Bangladesh using secondary data. This study explores that there is a unidirectional causality from GDPGR to NPLR in Bangladesh. Thus, GDP growth rate is an important determinant of NPL in Bangladesh. The policy maker should consider the level of GDP growth while making policy regarding credit risk management, loan classification, single borrower exposure limit, money supply etc. The GDP growth rate also should be taken into consideration by the Banks while increasing their loan portfolio.</p>
5	<p>The aim of the study is to investigate non-performing loans determinants which reflect credit risk in banking sectors across three kinds of economy i.e. Pakistan, India, and Bangladesh. While numerous empirical studies have been conducted in Western countries and central Europe, but findings cannot be generalized and may not necessarily have any applications in the context of South Asian countries due to the absence of a robust legal system and limited efficiency of the capital market. Furthermore, they have been restricted to a limited cross-section or single category of factors. This study broadly conducts empirical investigation 11 classified factors are bank-specific and macroeconomic variables. The important aspect and contribution of the study are to conduct a comparative analysis of Bangladesh</p>
6	<p>The amount of NPLs is increasing day by day in Bangladesh and becoming an alarm for this frontier economy in which sustainable economic growth is a prime concern for each and every stakeholders. The underlying reason of NPLs in Bangladesh is the motive of “unwillingness to pay” of the borrower. Hence, this study indicates NPLs in Bangladesh as white-collar crime. To identify behavioral dimensions of NPLs, primary data are collected from knowledgeable bankers. For this purpose, an</p>

	<p>anonymous questionnaire is developed by analyzing social, cultural, political, law compliance, psychological, internal control mechanism and economic contexts of the Bangladesh.</p>
7	<p>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</p>