

The Causes of Increasing Non-Performing Loans (NPLs) in the Banking Sectors of Bangladesh: A Comparative Study between Janata Bank Limited and Dutch Bangla Bank Limited

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Abstract: Due to the fact that borrowers can utilize a variety of credit forms that are linked to lending facilities, there are several ways to establish a credit facility. A worrying issue in the banking sector, meanwhile, is that the loans are not easily recouped following financing for the borrowers. Unpaid loans, or non-performing loans (NPLs), are becoming more common and are having an impact on the financial sector. The problem of nonperforming loans (NPLs) is getting worse for banks, despite the fact that the banking industry is expanding steadily. When it comes to a country's economy, non-performing loans are the main problem. This study examines two well-known banks in Bangladesh and draws comparisons between them regarding the important matter of nonperforming loans. Commercial banking services are available in Bangladesh from both private sector institutions and the state-owned Janata Bank Limited (JBL) and Dutch Bangla Bank Limited (DBBL). Janata Bank had a nonperforming loan percentage of 12.34% in 2015, and DBBL had a proportion of 3.7% due to insufficient funding and an inefficient recovery mechanism. In terms of nonperforming loans, the two banks couldn't be more different, both in terms of the calculated number and the cause of the increase in NPLs. It is common practice to use statistical data, such as a percentage, to ascertain the causes of increasing NPLs. I advised the two banks on how to decrease nonperforming loans and recover their funds after undertaking a thorough investigation.

Keywords: Non-Performing Loans (NPLs), Bangladesh, Banking Sector, Janata Bank Limited (JBL), Dutch Bangla Bank Limited (DBBL).

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1. Background of the Study

The 56 (Zürpel, n.d.) other schedule banks that comprise Bangladesh's financial industry are overseen by the central bank, Bangladesh Bank (BB). In all, 56 banks may be found: 6 state-run banks (SCBs), 3 specialized government-owned banks, 41 private domestic institutions, and 9 foreign institutions. Furthermore, the market is also home to four non-bank financial organizations and thirty-four non-scheduled banks (Stylianou et al., 2015). Furthermore, as of February 2014, the Microcredit Regulatory Authority (MRA) has licensed 724 micro-credit organizations (Microcredit Regulatory Authority, 2023). Some of these organizations also help their members save money. The financial system also encompasses two stock exchanges, seventy-seven insurance companies, a handful of cooperative banks, and more. Pubali ranks first among private banks, whereas Sonali Bank ranks first among state-run banks. Standard Chartered is the largest of the nine international banks operating in the country. The banking industry is home to many additional institutions, including Grameen Bank, employment banks, cooperative banks, and scheduled banks. On the other hand, Dutch-Bangla Bank Ltd. is one of the major players in Bangladesh's private sector.

Our rationale for doing this comparison is to look at the nonperforming loan (NPL) issues at the two banks and see how they stack up against one another. I looked into the growing problem of nonperforming loans (NPLs) at both public and commercial banks by comparing two of them. After reviewing the bank's operations, it was determined that they are severely underperforming due to issues with lending procedures that prevent them from meeting the profit objective set by the appropriate authority. A number of measures, such as deposit mobilization, loan disbursement, loan recovery, and profit, were used by Sokder, Alam, and Z Alam (2006) to assess the operational success of the Bangladesh Krishi Bank. Banik and C. Das discovered that while comparing the recovery performance of SCBs and PCBs in Bangladesh, the country typically has a higher percentage of categorized loans compared to other nations. The government has implemented multiple policies in an effort to lower the rate. Based on interviews with bank workers, Afroz and Uddin (2010) found that present safeguards against loan categorization and provisioning regulations are inadequate. The failure to persuade is said to be the cause of the high number of willful defaulters. A single loan or a series of loans connected to the same facility could be part of such a plan, according to Migwi (2013). Specifically, he

was interested in finding out how commercial banks in Kenya deal with loan recovery and monitoring. The loans involved in the process could be long-term, with complete repayment anticipated in many years, or short-term, with full repayment expected within one year.

2. Literature Review

The banking sector had far better financial circumstances up to 2007 and 2008, when the economy was rather steady. Nonperforming loans, however, have been increasing since then (Beck et al., 2013), which is concerning because a nation's loan portfolio is proportional to its financial health. Currency mismatches and depreciation led to a negative bank balance sheet and a link between nonperforming loans and share price (Griem, 1968), which in turn caused nonperforming loans (NPLs) to rise. Espinoza and Prasad (2010) conducted a dynamic panel survey of 80 banks from the Gulf Cooperation Council and found that nonperforming loans (Espinoza & Prasad, 2010) increased in correlation with slower economic growth and higher interest rates. Nonperforming loans were lower in bigger and less expensed banks, according to the report. Another consequence of past excessive credit growth is the potential increase in future nonperforming loans (NPLs) (Singh, 1959). However, the expansion of nonperforming loans affects the world economy overall, not merely the national budgets of specific nations (Zhang et al., 2016).

People from the same cultural background could have vastly different experiences when it comes to getting out of debt. In 2015, for example, the overall loan level in India was 5.9%, Sri Lanka was 3.2%, and Bangladesh was 8.4%—all due to the rising percentage of non-performing loans across the Indian Subcontinent.

Since the court-recovered funds from the auction were less than the bank's book value, the latter must write down its nonperforming loans (Haneef et al., 2012). The efficiency of banks is reduced by large levels of non-performing loans, which in turn reduces economic growth and stability (11A) (Karim et al., 2010).

Also, GDP will take a hit if non-performing loans continue to rise in any way. This is due to the fact that the bank's profitability and liquidity are both negatively impacted by its non-performing loans, which are its deteriorating assets. Raising interest rates and inflation make it harder for borrowers to repay their current loans when the cost of capital is high, which in turn affects non-performing loans (Clementina & Isu, 2014). But other scholars have shown that nonperforming loans (NPLs) hurt banks' assets, capital, and prosperity, and that an increase in NPLs will cause GDP to fall (Coustillas et al., 1981). The increase in the provision rate due to nonperforming loans is also a red flag for the bank's financial health, as an increase in nonperforming loans would lead to a decline in profitability (Jassaud & Kang, 2015).

3. Objectives of the Study

Determine which of those two banks have nonperforming loans is the primary goal of the research. This study aims to accomplish the following:

- Determine the current state of non-performing loans (NPLs) in Bangladesh's banking sector;
- compare the NPLs of Janata Bank Limited and Dutch Bangla Bank Limited;

- determine the causes of NPLs;
- Provide recommendations for controlling NPLs;

4. Research Methodology

The following is a list of the research methods employed in the study:

a. Information Gathering and Secondary Sources: Primary sources include interviews, and secondary sources include things like academic papers, periodicals, books, library resources, Bangladesh Bank, Janata Bank's annual report, and Dutch Bangla Bank's reports.

b. Preferred Time Frame: The study's preferred time frame is the years 2004–2019. Various analyses have made use of these 15 years.

c. Analyzing and Processing Data: After data was checked and edited, it was processed manually. The data presented in this research is organized using tabular techniques.

Only in order to pinpoint the rising nonperforming loans of certain banks was the study carried out. For the purpose of this empirical investigation, we have chosen the following criteria: Two main types of data have been utilized: primary and secondary. Secondary data comes from many sources, like newspapers, websites, and the annual reports of Janata Banka Limited (JBL) and the Dutch Bangla Bank Ltd., while primary data comes from questionnaires administered to customers of the two banks. To make the study more coherent and comprehensible, the data was evaluated, summarized, and interpreted. Statistical methods such as percentage and average have been employed in the analysis.

5. Limitations of the Study

Financial institutions around the world, including those in Bangladesh, place a premium on reducing their non-performing loans. In addition to comparing Janata Bank and Dutch Bangla Bank's nonperforming loans (NPLs), this study will focus on the rules and regulations, current legal framework, and status of NPLs at various commercial banks in Bangladesh. Data from financial institutions is considered proprietary information; thus, the institutions aren't keen on sharing it, and neither are the officials who work for the banks willing to talk about their experiences working for the company. Despite the obstacles, a dependable and beneficial outcome was the end consequence of the effort. In addition, secondary data and some light primary data inquiries form the basis of this work. In these situations, it's impractical to tackle the entire problem from its most basic elements; instead, we primarily used the experimental data from various sources across the two banks.

6. Definition of Non-performing Loans and Present Status of NPLs in Bangladesh

Once the payback period of a loan goes over 90 days, it is classified as a non-performing loan (Hulster et al., 2014). Financial Soundness Indicators (FSIs) from the International Monetary Fund classify loans as nonperforming if either "payments are less than 90 days overdue, but there are other good reasons" (Bloem & Gorter, 2001) or if interest payments that are 90 days or more past due have been capitalized, refinanced, or agreed upon a delay. Nonperforming loans (NPLs) in Bangladesh's banking industry are steadily rising, as shown in the following picture:

Table- 6.1: NPLs Ratios by Type of Banks

(percent)

Bank Types	2010	2011	2012	2013	2014	2015	2016	2017	End of June 2018
SCBs	15.7	11.3	23.9	19.8	22.2	21.5	25.1	26.5	28.2
PCBs	3.2	2.9	4.6	4.5	5.0	4.9	4.6	4.9	6.0
FCBs	3.0	3.0	3.5	5.5	7.3	7.8	9.6	7.0	6.7
DFIs	24.2	24.6	26.8	26.8	32.8	23.2	26.0	23.4	21.7
Average	11.53	10.45	14.70	14.15	16.83	14.35	16.33	15.45	15.65

Source: Annual Report: 2017-2018 of Bangladesh Bank, P.35

From a low of 15.7% of total loans in 2010 to a high of 28.2% at the end of June 2018 (Table 6.1), the problem has been continuously worsening for state-owned commercial banks (SCBs). Table 6.1 also shows that private commercial banks' (PCBs') nonperforming loans (NPLs) increased from 3.2% of total loans in 2010 to 6.0% by the end of June 2018. This proves beyond a reasonable doubt that PCB NPLs are rising progressively as well, albeit more slowly than SCB NPLs.

Analysis and Findings

6.1.1 Outline of Janata Bank Limited (JBL)

Janata Bank Limited (JBL) is a state-owned commercial bank in Bangladesh. It was established in 1972 per the Bangladesh Bank Nationalization Order (President Order No. 26) (Janata Bank PLC., 2023), following its merger with Union Bank Limited and United Bank Limited. Afterwards, it re-established itself as Janata Bank Limited, a public limited company, on November 15, 2007, after registering with the Joint Stock of Companies and Firm. The government of Bangladesh owns this bank in its entirety (Janata Bank PLC., 2023). The second highest capitalized bank in Bangladesh is Janata Bank Limited (JBL), with an authorized capital of Tk. 30,000.00 million and a paid-up capital of Tk. 19,140.00 million, respectively. "Your Trusted Partner in Innovative Banking" is their motto for customers (Patwary, 2016). In 2015, the bank's total net asset was 42,037.35 million (Stylianou et al., 2015), and in 2011, the paid-up capital was 8,125,000,000 (up from 19,140.00,000,000 as of 20A)(Stylianou et al., 2015).

6.1.2 Procedure of Sanctioning Loan of the Janata Bank Limited (JBL)

Since loans and advances generate the majority of a bank's revenue, the institution should exercise caution in its lending practices in accordance with its credit policy to reduce the likelihood of future account defaults. A 10% capital reserve is required per Bangladesh Bank's BRPD Circular No. 35, dated December 29, 2010, issued under BASEL-2 (Mithyla, 2015), and loan approvals must be in compliance with the requirements of the Bank-Bangladesh Bank Memorandum of Understanding (MOU). Before approving a loan, banks consider a number of factors, including the borrower's character, the loan's objective, the borrower's capacity to repay the loan, the borrower's capital, the company's status, the security condition, the borrower's status, the credit risk according to CRG, and the borrower's experience (Wilson et al., 2002). The following steps are also taken by the bank: checking the borrower's present and permanent addresses; confirming the identity of the guarantor; reviewing the borrower's family status, CIB report, and financial responsibilities; and finally, reviewing the required documents (Wong et al., 2004). For loans over Tk.10 crore (Benezra et al., 1990), the bank needs a certificate from the head of the internal and compliance department proving that the credit policy, borrower identification, and up-to-date CIB have all been fulfilled.

6.1.3 Present NPLs Status of JBL

Table-6.2: NPLs Status of JBL**(Fig in million)**

Particular	2014	2015	Increased/ Decreased	Change %
Total Deposit	51601	56891	5290	10.25%
Total Advances	31977	34986	3009	9.41%
Total NPLs	3738	4318	580	15.52%
Required provisions	23,909.1	20,361.50	-3547.60	-14.84%
% of classified	11.69%	12.34%	0.65%	5.56%

Source: Annual Report: 2015, Janata Bank Limited, P-18,61

Table 6.2 shows that in 2014, JBL had 51601.00 million in deposits, 31977.00 million in advances, and 3738.00 million in nonperforming loans. In 2015, JBL had 56891,000,000.00 in deposits, 34986,000,000.00 in advances, and 4318,000,000.00 in nonperforming loans. There was a 10.25% increase in deposits, a 9.41% increase in advances, and a 15.52% increase in nonperforming loans in 2015 as compared to 2014. Therefore, nonperforming loans at Janata Bank have probably been increasing over the past few years. Nonperforming loans at JBL were 12.34% in 2015.

6.2.1. Outline of Dutch Bangla Bank Limited (DBBL)

The Dutch Bangla Bank Limited (DBBL) is a banking corporation having its headquarters at Sena Kalyan Bhaban, 4th Floor, 195 Motijheel Commercial Area, Dhaka-1000, Bangladesh. It was created under the Banking Companies Act of 1991 and registered under the Companies Act

of 1994. Officially, the bank opened for business in 2002 (Babuna, 2018). Dutch Bangla Bank Limited, a second-generation bank with a paid-up capital of Tk. 2000 million and an authorized capital of Tk. 4000 million, has been serving its customers with the motto "Your Trusted Partner" (Hossain et al., 2017).

6.2.2. Procedure of Sanctioning Loan of the Dutch Bangla Bank limited (DBBL)

When deciding whether or not to grant a loan, lenders should look at the applicant's track record, honesty, lack of financial diversification, strength of collateral, thoroughness of due diligence, and supporting paperwork (Sheet, n.d.). It is important to note that the bank's panel lawyer must verify all collateral security documents in order to establish the mortgagor's ownership, title, and possession of the security property (Singh, 1959). Additionally, the bank's enlisted surveyor must complete the security valuation report (Paoloni, 1992). In addition, before the bank can approve any new loans, renewals, reschedules, or improvements to existing loans, it must first receive the borrowers' CIB reports (Cahill, 1992). In addition, the analysis, approval, or rejection of loans must adhere to the laws that are currently in effect, as well as the bank's guidelines, credit policy, and prudent management practices (Singh, 1959).

6.2.3. Present NPLs Status of DBBL

Particular (Schwartz et al., 2015)	2014	2015	Increased /Decreased	Change %
Total Deposit	166,762.3	186,765.0	20,002.70	12%
Total Advances	124,423.00	152,270.00	27,847.00	22.4%
Total NPLs	5,475.30	5,624.90	149.60	2.7%
Required provisions	4,206.30	4,277.70	71.40	1.7%
% of classified	3.70%	4.40%	0.70%	18.91%

Source: Annual Report 2015, Dutch-Bangla Bank Limited

It can be seen from Table 6.3 that in 2014 there were 166,762.3 million in total deposits, 124,423.00 million in total advances, and 5,475.30 million in nonperforming loans for DBBL. The following year, there were 186,765.0 million in total deposits, 124,423.00 million in total advances, and 5,624.90 million in nonperforming loans for DBBL. Deposits rose 12%, advances 22.4%, and nonperforming loans 2.7% from 2014 levels in 2015. Therefore, it is presumed that the nonperforming loans of the Dutch Bangla Bank have grown since 2014.

7. Reasons for Increasing NPLs in the Banking Sectors of Bangladesh

7.1. Economic

The fall in the stock market has also greatly contributed to an increase in nonperforming loans (NPLs), which in turn are directly tied to a country's economic growth (Beck et al., 2013). Rising nonperforming loans (NPLs) in Bangladesh's banking sector are due to a combination of factors, including slowdowns in some industries, swings in commodity prices, and global economic shocks (Beck et al., 2013). Recessionary conditions, regulatory changes, resource shortages, ineffective management, and strained labor relations are just a few of the negative economic and market factors that have affected company health and caused loan defaults. Nonperforming loans (NPLs) pose a risk to commercial banks' credit since they are losses that can occur when borrowers fail to meet their payment obligations (Clementina & Isu, 2014).

7.2. Government

Because the current norms and regulations for recovery are either too complicated or too ineffective, banks are encountering a number of legal issues while trying to collect loans from borrowers. The volume of nonperforming loans (NPLs) is steadily rising due to borrowers' lack of interest in paying off their bank

debt (Siddiqua & Zaman, 2015). Local government officials allegedly use city and rural commercial banks to boost economic growth and employment, which is why these banks may have high nonperforming loan ratios and continue to take excessive risks (Zhang et al., 2016). A common reason for civil officials to go into default is when their salaries are delayed or rejected for a certain amount of time. When this happens, their loans from banks cease working, and the result is an increase in non-performing loans (Goldstein & Turner, 1996). A higher ratio of nonperforming loans would result from an increase in the number of new banks (Hu et al., 2004).

7.3. By the Bank

The persistently high levels of nonperforming loans at SCBs were mainly caused by lax underwriting requirements. Due to a lack of proper evaluation, follow-up, and monitoring of SCB loans in the past, banks were reluctant to write off the bad loans that had accumulated over time since the collateral was of low quality, resulting in these low-quality assets (Pocock et al., 2016). Okpara G. C. (2009) found that directors frequently use their privileged positions to seek unsecured loans related to this topic. The lending policy of the bank is violated because these loans potentially exceed the statutory lending restrictions. Another factor that raises the possibility of non-performing loans is the fact that directors sometimes lend money to friends and family without gathering enough information (Alley et al., 2023). Additionally, prior to waiving interest payments to non-performing defaulters (Clementina & Isu, 2014), a number of financial institutions do not obtain permission from the Central Bank. The branch managers at these banks are taking out loans to fund their extravagant profit goals, and they have no intention of paying them back, no matter how much they borrow. Nonperforming loans (NPLs) rise as a result, which affects borrowers' capacity to receive loans. The bank's financial structure and risk level are both worsened by a

larger nonperforming loan ratio, which leads to a worse profitability rate (Tu et al., 2020). Here, it's important to remember that high NPLs are a result of over-lending (as indicated by the loans-to-assets ratio) and that lagging lending growth, which takes into account the impact of past over-lending, also causes greater NPLs (Klein, 2013).

7.4. By the Borrowers

In order to regulate nonperforming loans (NPLs), it is important that collateral security be adequate, that collateral be properly managed, and that its value and ownership be verified (Islam et al., 2005). Borrowers often lose interest after taking out loans and fail to repay them. Overvaluation of collateral and large price differences in mortgage enforcement procedures are major issues with real estate valuation. It seems like the profession needs better regulation of appraisers to ensure that they have the necessary expertise, experience, credibility, and integrity. Another problem is that there isn't a clear legal framework for licensing or determining the professional background of real estate appraisers. Another obstacle is that there aren't any widely accepted methods of appraisal, and judges don't have the expertise to decide whether to accept the results. To address these issues, it is crucial to establish transparent and clear valuation criteria and standards that are in accordance with international best practices.

8. Others Reasons

Several factors, such as economic downturn, macroeconomic volatility, high interest rates, insider borrowing, excessive dependence on extremely expensive interbank borrowings, and moral hazard, are typically associated with the accumulation of nonperforming loans (NPLs), according to Goldstein and Turner (1996). Also, higher inflation and currency depreciation were discovered to increase nonperforming loans, and rising unemployment rates were found to increase nonperforming loans (Klein, 2013) as well.

9. Critical Comparison and findings of two Banks

Both banks' categorized rates are on the rise when compared to previous years. As a result of differences in lending practices and asset management, Janata Bank has a higher categorized rate than Dutch-Bangla Bank Ltd. (DBBL). By keeping an eye on Jananta Bank Limited's and Dutch Bangla Bank Limited's classified rates, It is presumed that the banking system in Bangladesh is facing difficulties as a result of the country's expanding nonperforming loans. The other banking systems are now being run by DBBL as a result of a private commercial bank. The Janata Bank is a national commercial bank that is owned by the state and has several branches across the country. It offers a variety of products and services to its customers. There are no issues with financing, but there is a bureaucratic hurdle as a result of public official procedures. Two banks with strong ties to Bangladeshi society and the people there provide essential banking services on a daily basis: Janat Bank Limited and Dutch-Bangla Bank Limited. The banking industry is no stranger to loan-related problems, such as good loans, bad loans, installment problems, and recovery problems. The fact that Dutch-Bangla Bank Limited's (DBBL) improved recovery strategy led to a decline in loan defaults is an admirable development. Its nonperforming loans (NPLs) climbed 2.7% from 2014 to 2015 when comparing the two years' Decembers. In contrast, Janata Bank's nonperforming loans rose 15.52 percent from 2014 levels in 2015. Better supervision through cell division

of credit, restructuring of credit policy and loan advances against available securities according to best practices, increasing power to the branch manager from a strategic standpoint, finding sound borrowers with special incentives, paying more in short-term loans with perfect matching of sound transactions, restricting poor or sick industries, and taking special legal action promptly for the nature and implications of the recovery system's problems are all ways to achieve this commendable goal. Programs causal for communication, documentation, and legal action are among the many areas that the Dutch Bangla Bank prioritizes. In contrast, Janata Bank Limited, like many other nationalized and commercial banks, is dealing with a recovery problem. It appears that the Janata Bank is using a similar approach to its handling of the recovery. With Janata Bank's excellent management, nonperforming loans (NPLs) dropped from 3,738,000,000,000 in 2014 to 4,315,000,000,000 in 2015, according to the survey. This suggests that NPLs are declining while deposits and advances are rising slowly. Also, while the nonperforming loan percentage did go up from 2014 to 2015, it was only by a small margin of -0.65%. The management team at JBL has devised a number of strategies to enhance the recovery of default debts, and they are determined to put their full effort into implementing them. In order to maintain the quality of its assets, it aims to boost cash recovery and decrease classified loans to single digits. The recovery and reduction of classified loans (CL) were of utmost concern to JBL management from the start of the reporting year in this regard. More than 15% of Janata Bank's total loans have gone into default, according to the most recent statistics, so the situation is clearly not improving.

10. Data Analysis

Specifically, we are interested in Janata Bank Limited and Dutch-Bangla Bank Limited's rising nonperforming loans (NPLs) and would like to learn more about their causes. I have polled people to find out what they think about non-performing loans and how to get their money back. We used the questionnaire survey method to conduct the survey at the field level. In keeping with the nature of the study, a structured questionnaire has been developed.

Part one of the survey asks for basic demographic information; part two gauges respondents' awareness of the current situation of non-performing loans, recovery efforts, and research hypotheses; and part three solicits their feedback and recommendations. The primary goal of the study was accomplished by conducting a random survey of the participants. It was hoped that a number of officers from Janata Bank Limited and Dutch-Bangla Bank Limited would be able to participate. Fifteen respondents from two Dhaka-based banks were sampled in light of time, resource, and other limitations.

Questionnaires were filled out based on the in-person interviews that I conducted for the survey. From January 1, 2018 to December 31, 2018, the field investigation was conducted.

In order to gauge the bankers' thoughts and awareness on the topic discussed in this article, a survey was administered using a questionnaire. Below is a summary of the survey results used to write this article:

10.1 Factual Information of the Respondents:

Due to the low representation of women in banking, fourteen of the fifteen respondents are men, and one is a woman. Diagram no. 10.1 shows the percentage of respondents based on their gender.

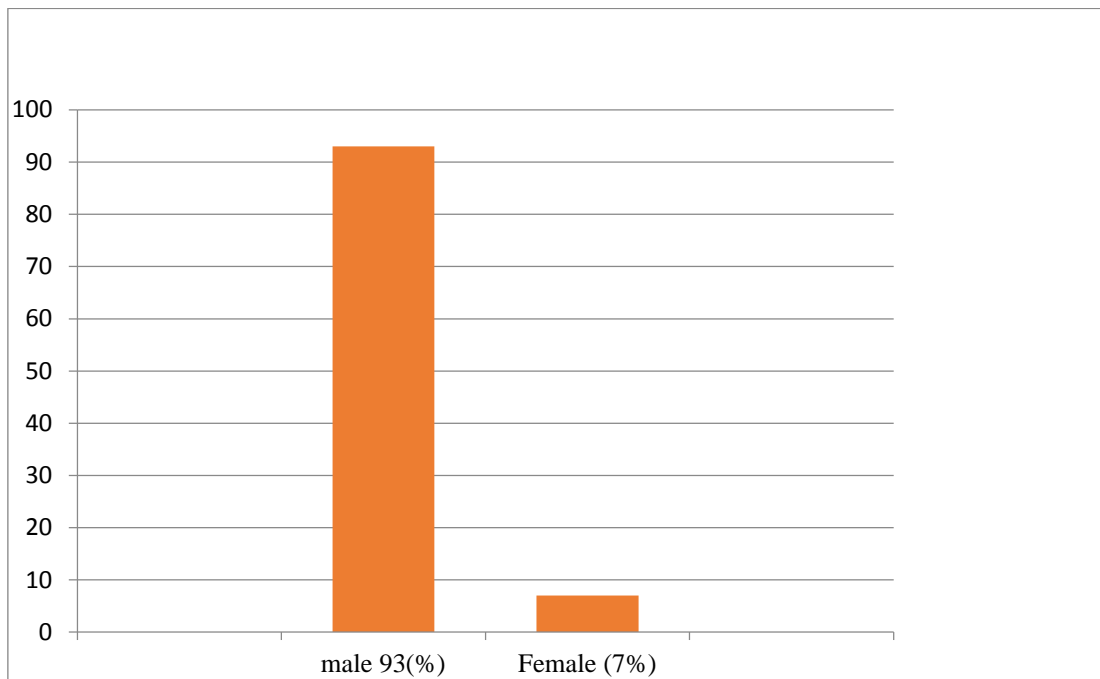


Diagram: 10.1. Percentage of Gender of the Respondents

10.2 Age of the Respondents:

The age distribution of the total respondents is as follows: 07 are in the 30-39 age bracket, 04 are in the 40-49 age bracket, and 04 are 50 and up. Figure 10.2 shows the total number of responders.

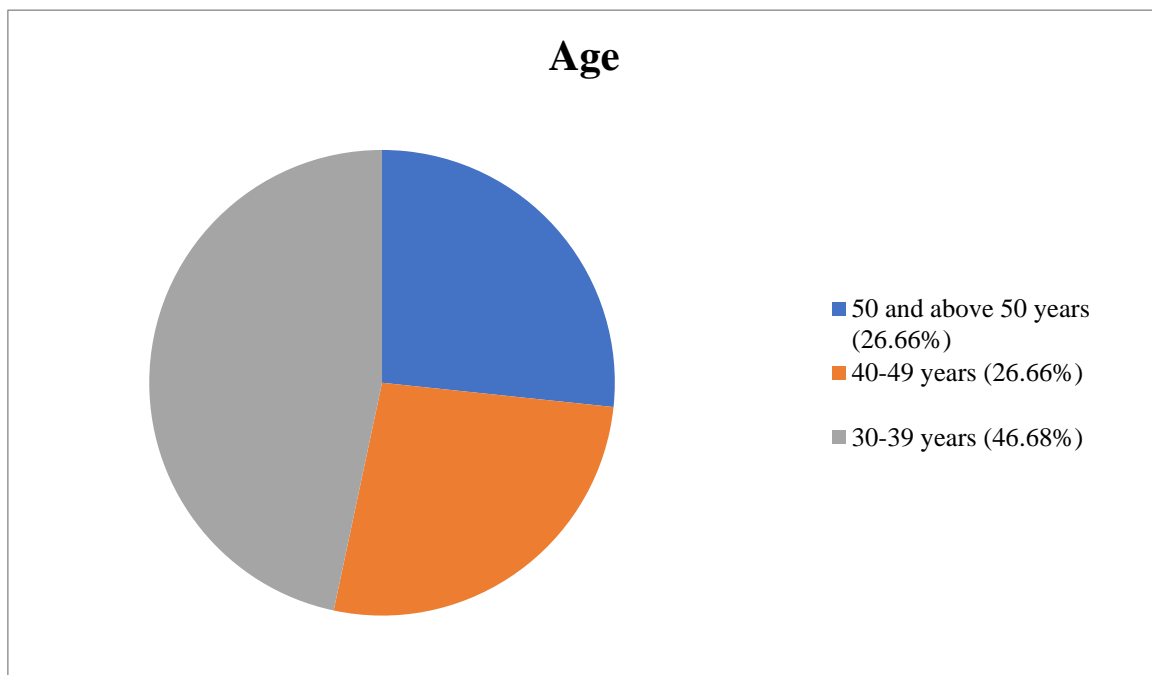


Diagram No. 10.2: Number of Respondents by Age

10.3 No. of Years Working in the Banking Sector

Eleven respondents have more than five years of experience in the banking business; two have three to five years; and two have one to three years of experience. In diagram no. 10.3, the number of respondents is shown.

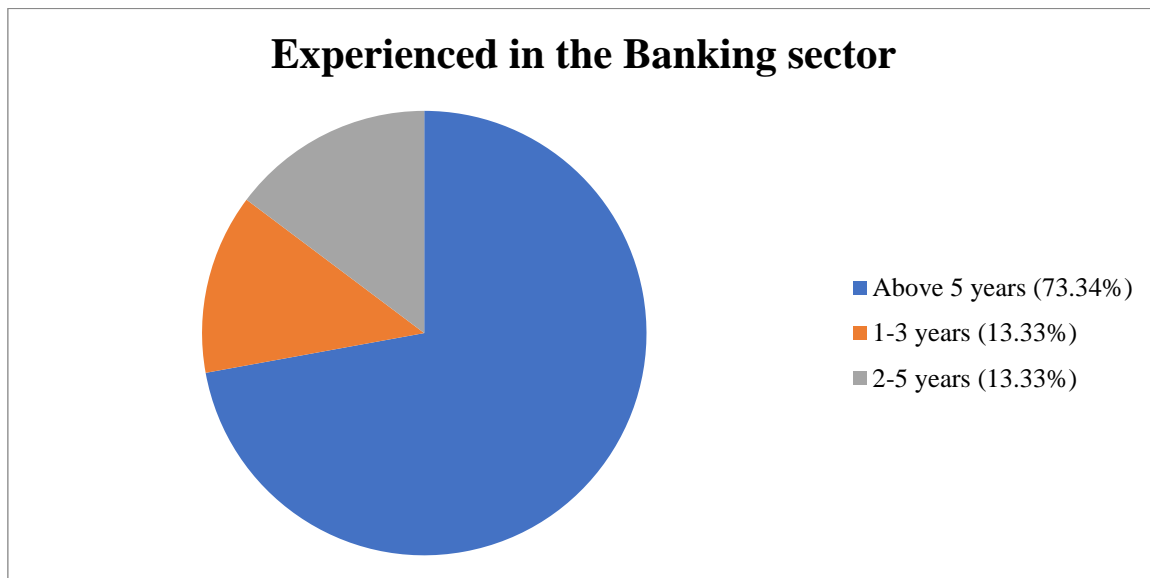


Diagram No. 10.3: No. of Years Working in the Financial Sector

10.4 Major Findings

There has been a dramatic increase in nonperforming loans (NPLs), which has caused serious challenges for the banking system. Despite banks' best efforts, nonperforming loans (NPLs) are actually rising annually, according to the data. The results of the majors are detailed below:

10.4.1 Bankers Responsibility for Increasing NPLs

Particulars	Percentage (%)
Liabile for Mismanagement	95%
Internal Control	90%
High Interest Rate	60%
Less Collateral	42%

Table - 9.4: Bankers Responsibility for Increasing NPLs

Table 10.4 shows that over 90% of respondents think that internal controls have been a major factor in successful loan repayments. There should be no default on loans if the bankers are trustworthy and qualified to approve them. Not only that, but 95% of people who took the survey feel personally accountable for the loan's mismanagement and hold themselves accountable to upper management. Nevertheless, high interest rates are a contributing factor to non-performing loans (NPLs) since they have a significant impact on loan repayment rates (as 60% of respondents agree). Borrowers lose interest in repaying loans to banks when collateral is inadequate, which increases the likelihood of non-performing loans (NPLs). When asked about this, 42% of people said that banks typically utilize collateral for recovery loans and that borrowers lose interest in paying off the loans if the collateral isn't enough.

10.4.2 Borrowers Responsibility for Increasing NPLs

Particulars	Percentage (%)
Principal Waiver	80%
Interest and Principal Waiver	67%
Borrowers Reluctant to pay Bank dues	55%

Table - 10.5: Borrowers Responsibility for Increasing NPLs

Table 10.5 shows that during the period of payment for bank dues, 80% of respondents claimed that borrowers who failed on their branch loans always requested a waiver of the principal. Conversely, when asked about loan repayment, 67% of respondents said that borrowers would like a waiver of both interest and principal. Additionally, over half of those who took the survey said that defaulting borrowers are those who demonstrate a lack of enthusiasm for repaying loans to financial institutions.

10.4.3 Other Reasons for Increasing NPLs

The rising nonperforming loans (NPLs) in Bangladesh's banking industry are another factor, either directly or indirectly. Below this, in Table 10.6, you can see a detailed scenario of rising nonperforming loans.

Particular	Percentage (%)
Government Policy	90%
Lengthy Legal Proceedings	55%
Political Instability	43%
Lack of enforcement of Law	55%

Table - 10.6: Other Reasons for Increasing NPLs

Several studies have shown that when governments make policy changes, it causes borrowers to become defaulters because they are unable to repay their loans to banks on time. More than 90% of respondents believe that government policy is also responsible for the increase in nonperforming loans in Bangladesh's banking industry, according to Table 9.3. Along with the aforementioned factors, 43% of respondents expressed concern that political instability could impact the rate of recovery; hence, it can be concluded that political instability contributes to an increase in nonperforming loans. In addition, when asked if they think the bank can recover their debts through legal action, 55% of respondents said no. This led borrowers to believe that banks would be unable to collect from them in the event that they defaulted on their loans. On the other hand, half of those who took the survey believe that the length of time it takes to bring a lawsuit to collect debts owed by defaulting borrowers gives them the impression that the law will not be able to force them to pay.

Unfair lending contests between banks are another factor contributing to rising nonperforming loans (NPLs); in such cases, the banks are not taking the borrower's portfolio into account. Beyond the points mentioned above, a small number of respondents also point to unscrupulous bankers and poor borrower selection as causes of rising nonperforming loans in the banking industry.

Other findings from the survey include the following: improper borrower selection at Janata Bank; a lack of accountability on the part of government bank officials for bad loans (unlike private banks); and the availability of political power within the government bank.

10.4.4 Suggested Policy for Decreasing NPLs

Respondents have indicated that they believe certain policies could lead to a decline in nonperforming loans (NPLs). You can find more information in Table 10.7.

Particular	Percentage %
Strong collateral Security	93.33
Enforcement of law	66.67
Scrutinize the borrowers before loans sanction	13.33
Control lengthy procedure	46.67
Control corruption.	46.67
Monitoring for recovery	33.33
Political stability and control political influence.	53.33
Filing case with in time for recovery.	26.67

Table - 10.7: Decreasing NPLs

According to Table 10.7, over 90% of respondents believe that the bank authority can reduce nonperforming loans (NPLs) by requiring faultless collateral. Furthermore, 67% of people who took the survey believe that NPLs may be reduced with stricter law enforcement. More than one in ten respondents (13%, to be exact) thinks that nonperforming loans (NPLs) could be reduced if lenders were more selective in their loan approvals. In addition, over 30% of respondents think that loan recovery monitoring should be ongoing in order to reduce nonperforming loans. To add to the above, over 45% of respondents think that reducing corruption in the banking sector and shortening the duration of legal proceedings could reduce nonperforming loans (NPLs), and over 25% think that suing for recovery could reduce NPLs from the banking sector.

11. Recommendations

Taking into account the rapid increase of bad loans in Bangladesh's capital. Some preferred suggestions have emerged from the competitive market of the banking industry with the goal of lowering the rate of nonperforming loans (NPLs). In light of its results, the paper finishes with the following recommendations for further studies and recommendations for officials at financial institutions:

1. In order to reduce nonperforming loans (NPLs), banking sector policymakers should employ credit score tools to recover them through credit monitoring policies and consider privatizing the process (Migwi, 2013).
2. To reduce nonperforming loans (NPLs), the bank should have a rigorous loan underwriting system in place to only lend

money to borrowers who can afford to pay it back when it's due. To achieve this goal, the bank should have transparent policies regarding loan documentation, pricing, securitization, authorization, and ethics in credit administration (Nyaboga, n.d.).

3. In this regard, it is necessary to shorten the process of recovering a defaulted loan so that the borrower facing enforcement of the law cannot evade legal obligations to pay back the bank. Accordingly, the backlog of non-performing loan (NPL) cases has grown, the cost of foreclosure has gone up, and the return on non-performing loans has gone down due to the inefficient and drawn-out court process (Jassaud & Kang, 2015).
4. In order to ensure that defaulters are informed of their bank dues on a regular basis, it is necessary to build short messaging systems for loan holders.
5. Lending and credit monitoring should be streamlined, and banks can employ credit scoring systems as a means of reestablishing credit.
6. Before pursuing an out-of-court loan recovery case, the bank may initiate Alternative Dispute Resolution (ADR) procedures (Chowdhury & Islam, 2018).
7. As a means of loan follow-up, the bank will interact with the borrowers via written communication, telephone or cell phone numbers, or visits to the place or residence of the loan holders in order to bind the borrowers to pay the bank dues.
8. Reduce interest rates, enforce laws for loan recovery, screen borrowers thoroughly before approving loans, and control the borrower's diversification of funds.
9. In order to approve loans and collect on the public bank's debts, political influence should be diminished.

12. Conclusions

This research looks at two different banks side by side. At last, I've discovered that the banks are very different from one another. Being the biggest state-owned bank in Bangladesh, Janata Bank is also a public commercial bank that is attempting to compete in the banking industry. The tactics are also used by Dutch Bangla Bank Limited (DBBL) to stay afloat in the market. However, nonperforming loans (NPLs) are out of control at both institutions. Additional research on nonperforming loans in banking systems can benefit from this work. Everyone should be cautious about controlling nonperforming loans (NPLs) in the banking sector because it is one of the world's most promising and rapidly expanding industries. This will naturally improve a country's economic standing. How to rein in the culture of nonperforming loans is a major concern in the business sector. Loan recovery and the system used to recover them should align with the performance of the bank, which is a crucial concern for Bangladesh's commercial banks. To help both public and commercial banks in Bangladesh break the defaulting mentality, substantial collateral security could be seen as a productive and efficient way to recover defaulted loans in the current climate.

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