

Managing Nonperforming Loans in the Banking Sector of Bangladesh

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Abstract

This study focuses on the management of nonperforming loans in Bangladesh's banking industry. A supplementary data set was used to conduct this research project. On a year-to-year basis, the total number of nonperforming loans, gross nonperforming loan ratio, and net nonperforming loan ratio are all considered factors from 2011 to 2018. SCBs, DFIs, PCBs, and FCBs had gross NPLs ratios of 30.0 percent, 19.5 percent, 5.5 percent, and 6.5 percent, respectively, at the end of 2018 according to the research. The NPL ratios of SCBs and DFIs were quite high, as were the ratios of gross NPLs to total loans as well as net NPLs to total loans, although FCBs and PCBs were a high level of NPLs but it was tolerable. As a result of a lack of borrower selection, inadequate monitoring, collateral deficiency, money diversion, CRM absence, Basel III implementation, corruption of bankers and political involvement, Bangladesh has accumulated a large number of nonperforming loans (NPLs) in its banking industry. Management of nonperforming loans in Bangladesh's banking industry comprises credit evaluation, loan monitoring, loss provisioning, regulatory framework, loans transferred to third parties and writing down NPLs in an effort to recoup credit losses, the study found. An intended outcome of this research is a set of rules and suggestions on how to reshape NPLs in Bangladesh's banking industry, improve bank management of NPLs, and ensure responsible lending practices.

Keywords: Nonperforming Loans (NPLs), State-owned Commercial Banks (SCBs), Private Commercial Banks (PCBs), Foreign Commercial Banks (FCBs), Development Financial Institutions (DFI's).

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INTRODUCTION

This sector has had a major impact on the socio-economic, agricultural, infrastructural, industrial and international trade developments. Their efforts are aimed at increasing our government's ability to execute massive development projects, maintaining a balance of payments, boosting foreign currency reserves and promoting Bangladesh's gross domestic product. In addition to collecting deposits and saving, banks also stimulate capital development and issue loans. A bank is a medium of exchange that collects extra money from those who have it and lends it to others who need it for investment. Developing the banking sector is essential to the country's economic progress since it promotes capital formation, savings and investments, and long-term economic growth [1].

Banks in Bangladesh are struggling with high levels of nonperforming loans, which have a

detrimental impact on the financial industry. Bangladesh has a far greater percentage of nonperforming loans. This occurs when the borrower does not pay back the loan as agreed. A bank's profitability is harmed, and credit losses or defaults might result. Because of this, a bank's performance as well as that of its borrowers and the entire country benefit from correctly managing nonperforming loans [2]. A high level of nonperforming loans would result from poor loan management. As a result, controlling nonperforming loans in Bangladesh's banking industry is crucial.

In the glove, the causes of loan default are complex. There are a number of reasons why loans are becoming nonperforming. As an example, due diligence was not performed when selecting borrowers; appraisals were not completed properly; collateralization was inadequate; borrowers were not adequately monitored or supervised during

disbursement; the fund was diverted; bank desk officials were unfair to top management; and political interference in loan sanctioning and patronage of defaulters occurred.

For current nonperforming loans to be recovered, Bangladesh Bank and the government are undertaking the required regulatory and legislative reforms. As a result of existing legislation being amended, the defaulted loan recovery procedures are being accelerated. Bangladesh's banking industry may also benefit from improved corporate governance, transparency and accountability, credit risk management, managerial efficiency, and the adoption of contemporary technology advances (Bangladesh Bank Annual Report, 2018-2019).

Several policies, proposals, and recommendations are offered at the end of this study. It illustrates how nonperforming loans are managed in Bangladesh's banking industry, including adequate credit assessment, continuing loan monitoring, loss provisions, legal framework, loans transferred to third parties, and writing down nonperforming loans to recoup credit losses.

Nonperforming Loan and Emergence in Bangladesh

If payments of interest and principal are 90 days or more past due, or if interest payments equal to 90 days have been capitalized, refinanced, or delayed by agreement, a loan is considered nonperforming by the International Monetary Fund (IMF).

As a result of consistent standards, NPLs in Bangladesh are categorized into three categories: substandard, dubious, and bad or loss. Loans that are 3 months or more past due, but less than 9, 9 months past due, but less than 12, and 12 months past due are considered mediocre, dubious, and terrible [4, 5].

Nonperforming loans were common in Bangladesh's banking industry. NPLs in the banking system of the country increased by 26.39 percent in 2018, compared to 19.51 percent rise the previous year. From Tk 74,303 crores at the end of December 2017, the amount of nonperforming loans in the banking industry grew by Tk 19,608.4 crores to Tk 93,911.4 crores on December 31, 2018. Compared to a year before, such loans accounted for 10.30% of total outstanding loans in the banking sector. There was a 29.81 per cent or Tk 11,369.87 rise in nonperforming loans at the end of December 2018 at the state-owned commercial banks Sonali, Janata and Agrani Banks, as well as the Bangladesh Development Bank and BASIC Bank. The overall amount of nonperforming loans in state-owned commercial banks is 51.85%. Private commercial banks' categorized loans grew from 37,326 crores to 38,139.85. There was a 6.22 percent or Tk 134.03 crore increase in defaulted loans at foreign

commercial banks from Tk 2,154.03 crores. There was some good news for specialty banks. They were able to cut delinquent loans by 11.76 percent, or 6.38 billion taka (BDT), from 5.42 billion taka to 4,787 billion taka (BDT). In 2011, the total amount of nonperforming loans was 22644 crores of taka, but in 2012, it nearly quadrupled to 42725 crores. There were total nonperforming loans of tk.40583 crores in 2013 and tk.50156 crores in each of 2014, 2015, and 2016 [5].

Statement of the Problems

Intermediates in the financial system, banks act as a medium of exchange. Banks are the financial intermediaries. Most people leave their money in the bank as a kind of protection and remove it when needed. Savings are always a possibility as a result of this fact. As per Bangladesh Bank guidelines, certain amounts of money are held in reserve to satisfy payment commitments. In addition to investing, lending and advancing money to individuals and businesses, banks also create profits. The fact is that not all loans will turn a profit; some may not be repaid on time and result in nonperforming loans. Bank profitability is harmed, which might lead to credit losses and defaults in the future. There is a direct correlation between bank collapses and financial crises and the existence of nonperforming loans. A run on the banks may result from a bank's failure, which would have a ripple effect on the whole financial system. Banks manage nonperforming loans by discovering them early, monitoring, supervising, and reducing their value by the amount of projected losses. Bangladesh's banking industry must manage nonperforming loans to maintain a stable financial system and avoid global crises. It is necessary to study Bangladesh's nonperforming loan problems and management methods in light of the challenges and information gaps that exist.

OBJECTIVES OF THE STUDY

The main objective of the study is to manage nonperforming loans of the banking sector in Bangladesh. The specific objectives of the study can be stated as follows:

1. To know about the nonperforming loans and their current status in the banking sector in Bangladesh,
2. To make a comparison of the performance on nonperforming loans among all four types of banks in Bangladesh during the study period,
3. To identify the performance on loaning activities by the four categories of banks in Bangladesh during the study period,
4. To identify the causes of nonperforming loans in Bangladesh during the study period,
5. To explore some remedial measures to overcome the situation of the nonperforming loans in Bangladesh and recommendations and suggestions for improving the present situation or problem.

RESEARCH METHODOLOGY

These nonperforming loans are managed in this research by the banking industry in Bangladesh. Bangladesh has four different types of banks. They were selected as representative samples for the study. State-owned commercial banks (SCBs), Development Financial Institutions (DFIs), Private Commercial Banks (PCBs), and Foreign Commercial Banks (FCBs) are some of the examples. Descriptive and analytic in nature, this study spans the years 2011-2018. Most of the data comes from the annual reports of all four banks, the annual reports of the Bangladesh Bank, and the websites of the various institutions as well as other websites linked to the banks in question. Also taken into account are the overall number of NPLs, the gross NPL ratio to total loans, and the net NPLs ratio to total loans

Review of Literatures

Scholars have undertaken extensive study on the relationship between managing nonperforming loans and economic growth. Research on nonperforming loans in Bangladesh has taken several forms. However, there are just a few studies that have been conducted in Bangladesh to measure the performance of the nonperforming loan management system. In order to effectively manage nonperforming loans, this study is important. Positive impact on bank performance, borrower and country as a whole. If nonperforming loans are not properly managed, they will continue to grow in number. As this article demonstrates, nonperforming loans may be effectively handled by assuring good lending, efficient loan monitoring, accurate management of internal and external variables, and writing down nonperforming loans to recover credit losses [6].

Adhikary (2006) showed that significant quantities of nonperforming loans in the banking sector result in bank failures and economic slowdowns as their direct consequences. Nonperforming loans are generally linked to a lack of effective monitoring and supervision of banks, a lack of effective lenders' remedies, a lack of legal infrastructure, and a lack of efficient debt collection techniques [7]. MUNIAPPAN (1999) claims banks with high levels of nonperforming loans are forced to incur carrying costs on non-income producing assets, which affect both portability and capital adequacy. As a result, banks with high levels of nonperforming loans have difficulty increasing capital resources [8, 9].

Furthermore, according to Bonin and Huang (2001), the likelihood of a banking crisis increases if the financial risk is not removed fast enough. Overnight, such crises may reduce living standards and undo a great deal of economic change [10]. Commercial banking is evolving fast, according to Avkiran's research from 1995. Banks must improve their performance in order to remain competitive and efficient in the face of increasing competition [11, 12].

Management of nonperforming loans of Bangladeshi banks: An evaluative research, by Khanam et al., published in September 2013. According to this study, which involved a sample of 30 managers from prominent banks, politicians' influence was seen as the most significant external element [13].

The Impacts of Nonperforming Loans on Profitability: An Empirical Study on the Banking Sector of the Dhaka Stock Exchange" was published in February 2017 by Akter, R., and Roy, J. K. During the study period, nonperforming loans (NPL) accounted for more than half (50%) of total nonperforming loans (NPL) for the 30 banks listed on the Dhaka Stock Exchange. Nonperforming loans (NPL) are one of the major factors affecting banks' profitability [14, 15].

Major Causes Regarding Nonperforming Loans

Bangladesh's banking system has been plagued by nonperforming loans. In addition to negatively impacting the bank's profitability, credit losses can result from these situations, and the failure of the banking sector and the country's financial system can have a devastating effect on the economy as a whole. Poor borrower selection, deviations from standard credit risk management procedures, insufficient collateralization, overvaluation of collaterals, sometimes encouraging borrowers to default, weak post disbursement monitoring and follow-up of borrowers, and compassion towards large borrowers in the case of sanctimony are the main causes of Bangladesh's high nonperforming loan ratios. Check out a few of the biggest con jobs that occurred in Bangladesh. Hall Mark and others report that Sonali Bank lost 3547 crores between 2010 and 2012, according to a Daily Star article published on August 14, 2012. As reported by Anontex Group in the Dhaka Tribune on November 3, 2018, Janata Bank has lost Tk. 10,000 crores between 2010 and 2015. Since 2013, NRB Commercial Bank has lost tk.701 crores due to significant irregularities in loan disbursements, according to a report published on 12/12/2017 by New Age. Published on 24-03-2018, Daily Star, Farmers Bank has lost 500 crores in theft from 2013 to 2017. Published on 07-10-2016 in the Daily Star, Bismillah Groups and its Sister Concerns had embezzled and laundered tk. 1174.46 crores from June 2011 to July 2012. Except for being stretchy and stealing public money, these loans were not nonperforming. As far as scams and irregularities are concerned, they were the largest in Bangladesh's history. These incidents happened as a result of direct and indirect interactions with the relevant government agencies. Also, the desk officer is accountable for any irregularities, and a letter of reprimand is prepared for him. This is the best approach to hide the truth from the public eye. Any proposal initially goes to the desk officer, who then forwards it to the line authority for their review and final approval or rejection. Application for CIB (borrower's status with complete details) at Bangladesh Bank if it receives good answers Please

contact the borrower to ensure that all documents are in order. Lawyers review these documents, and the law and internal credit departments are requested for their input. High-ranking inspectors and valuation committee members are then appointed. As soon as the credit committee receives a good report, it forwards the file to the top-level management and Board for approval. The board division approves the loans after reviewing all of the documents and finding them to be satisfactory and sanctions the loans. Internal audits, external audits, government commercial audits, and Bangladesh Bank audits, on the other hand, are always looking into the matter. Furthermore, banks provide Bangladesh Bank with categorized loan reporting on a quarter-by-quarter basis. In the circumstances described above, it is impossible for a loan to fail. It is impossible for a loan to become a nonperforming loan without the intervention of relevant officials. Loans that are pre-planned and well-managed fall under this category.

Managing Nonperforming Loans

In order to effectively manage nonperforming loans, one must adopt a methodical, proactive, and committed strategy. A bank's corporate culture, risk appetite, the development of nonperforming loans, its internal procedures, structural processes, external processes, and other variables influence lending quality and its ability to handle new nonperforming loan flows. Nonperforming loan volumes and their impact on bank profitability and long-term economic growth are

determined by how banks handle each phase. A bank's ultimate responsibility in the event of nonperforming loans is to engage the borrower in dialogue, negotiate the loan agreement by adjusting interest rates, initiate legal proceedings to seize collateral, and then sell the nonperforming loans to an external party or secondary market [16].

Handling is ultimately accountable for internal systems that assure good lending, effective loan monitoring, and the management of problematic loans after they have occurred. Loss provisioning and effective bank supervision are required to achieve this. Bad loan management is influenced by the design of insolvency laws, bankruptcy legislation, and the functioning of the secondary market. The quantity of nonperforming loans today and in the future can be reduced by a variety of different variables, such as Basel III, credit risk management, and the reduction of nonperforming loans' values. As a result, nonperforming loans must be addressed at an early stage if they are to be managed effectively. Nonperforming loans must be transparent, and a proper supervision framework must be in place for this to be possible [17].

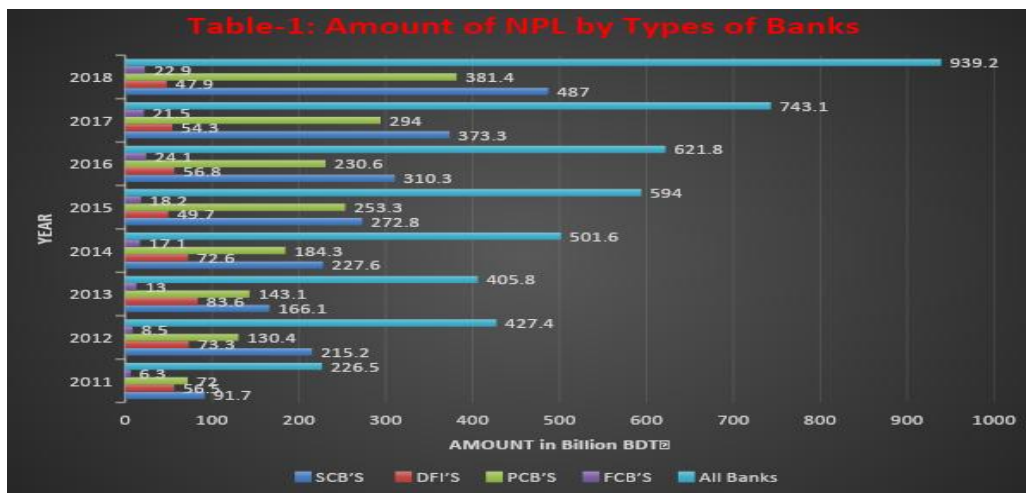
Analysis and findings of the study

Statistical analysis: Calculated from grouped data. variables with mean, % and standard deviation have been analyzed by IBM SPSS (Ver:28.0).

Table -1: Amount of NPL by Types of Banks

Bank Types	2011	2012	2013	2014	2015	2016	2017	2018
SCBs	91.70	215.20	166.10	227.60	272.80	310.30	373.30	487.00
DFIs	56.50	73.30	83.60	72.60	49.70	56.80	54.30	47.90
PCBs	72.00	130.40	143.10	184.30	253.30	230.60	294.00	381.40
FCBs	6.30	8.50	13.00	17.10	18.20	24.10	21.50	22.90
Total	226.50	427.40	405.80	501.60	594.00	621.80	743.10	939.20

(Figure in Billion BDT)



Source: Department of Off-site Supervision (DOS), Bangladesh Bank.

Statistics Amount of NPL by Types of Banks

		Bank Types	2011	2012	2013	2014	2015	2016	2017	2018
N	Valid	5	5	5	5	5	5	5	5	5
	Missing	0	0	0	0	0	0	0	0	0
	Mean		90.000	170.960	162.320	200.640	237.600	248.720	297.240	375.680
	Median		72.000 ^a	130.400 ^a	143.100 ^a	184.300 ^a	253.300 ^a	230.600 ^a	294.000 ^a	381.400 ^a
	Mode		3.3 ^b	8.5 ^b	13.0 ^b	17.1 ^b	18.2 ^b	24.1 ^b	21.5 ^b	22.9 ^b
	Std. Deviation		83.0637	162.2456	148.4583	188.1834	230.1897	240.1023	291.3928	374.7910
	Variance		6899.570	26323.623	22039.877	35412.983	52987.315	57649.137	84909.788	140468.277
	Range		223.2	418.9	392.8	484.5	575.8	597.7	721.6	916.3
	Minimum		3.3	8.5	13.0	17.1	18.2	24.1	21.5	22.9
	Maximum		226.5	427.4	405.8	501.6	594.0	621.8	743.1	939.2
	Sum		450.0	854.8	811.6	1003.2	1188.0	1243.6	1486.2	1878.4
	Perce 25		43.200 ^c	57.100 ^c	65.950 ^c	58.725 ^c	41.825 ^c	48.625 ^c	46.100 ^c	41.650 ^c
	ntiles 50		72.000	130.400	143.100	184.300	253.300	230.600	294.000	381.400
	75		125.400	268.250	226.025	296.100	353.100	388.175	465.750	600.050

a. Calculated from grouped data.

b. Multiple modes exist. The smallest value is shown

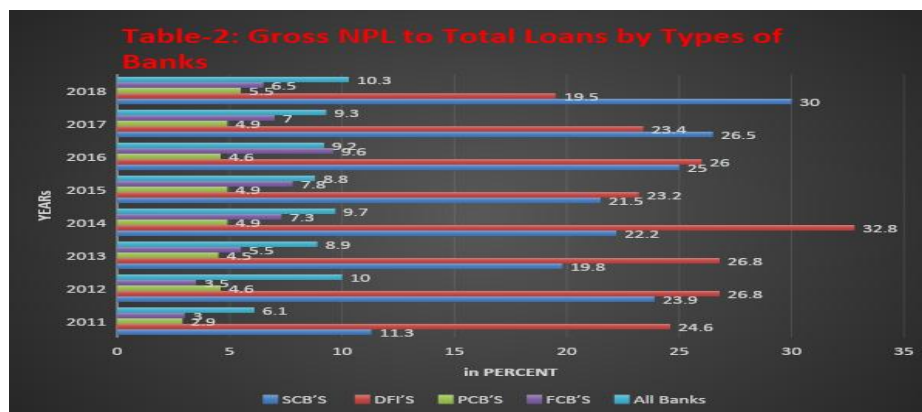
c. Percentiles are calculated from grouped data.

NPL trends by bank type are shown in table 1 in tabular and graphical form (in percent). As a whole, the banking sector had 939.2 billion dollars in nonperforming loans in 2018. At the end of 2018, SCBs, DFIs, PCBs, and FCBs had NPLs of 487, 47, 381.4, and 22.9 billion, respectively. FCBs had the fewest NPLs, while SCBs had the most. At the end of 2011, SCBs, DFIs, PCBs, and FCBs had NPLs of 91.7, 56.5, 72.0, and 6.3 billion, respectively. As of 2017, SCBs, DFIs, PCBs, and FCBs have NPLs totaling 373.3, 54.3, 294.0, and 21.5 billion. As shown in the

table, the quantity of SCBS, DFI, PCBs, and FCBs that were declared non-polluting throughout the research period 2011-2018 grew dramatically. NPL levels are high at all banks. Despite the fact that PCBs have a low level of NPLs, over time, they might develop a significant level of NPLs. SCBs and DFIs must be given special attention; otherwise, banks may be forced to deal with substandard assets, which would severely impact their profitability, leading to increased financial stability concerns and an economic downturn.

Table-2: Gross NPL to Total Loans by Types of Banks (Figure in Percentage)

Bank Types	2011	2012	2013	2014	2015	2016	2017	2018
SCBs	11.30	23.90	19.80	22.20	21.50	25.00	26.50	30.00
DFIs	24.60	26.80	26.80	32.80	23.20	26.00	23.40	19.50
PCBs	2.90	4.60	4.50	4.90	4.90	4.60	4.90	5.50
FCBs	3.00	3.50	5.50	7.30	7.80	9.60	7.00	6.50
Total	6.10	10.00	8.90	9.70	8.80	9.20	9.30	10.30



Source: Department of Off-site Supervision (DOS), Bangladesh Bank.

Statistics Total Loans by Types of Banks

		Bank Types	SCBs	DFIs	PCBs	FCBs	Total
N	Valid	8	8	8	8	8	8
	Missing	0	0	0	0	0	0
Mean		2014.50	22.525	25.313	4.600	6.275	9.038
Std. Error of Mean		.866	1.9561	1.3007	.2666	.7796	.4582
Median		2014.50 ^a	23.050 ^a	25.300 ^a	4.720 ^a	6.750 ^a	9.250 ^a
Mode		2011 ^b	11.3 ^b	26.8	4.9	3.0 ^b	6.1 ^b
Std. Deviation		2.449	5.5327	3.6791	.7540	2.2050	1.2961
Variance		6.000	30.611	13.536	.569	4.862	1.680
Range		7	18.7	12.7	2.6	6.6	4.2
Minimum		2011	11.3	19.5	2.9	3.0	6.1
Maximum		2018	30.0	32.2	5.5	9.6	10.3
Sum		16116	180.2	202.5	36.8	50.2	72.3
Percentiles	25	2012.50 ^c	20.650 ^c	23.300 ^c	4.533 ^c	4.500 ^c	8.850 ^c
	50	2014.50	23.050	25.300	4.720	6.750	9.250
	75	2016.50	25.750	26.800	5.050	7.550	9.850

a. Calculated from grouped data.

b. Multiple modes exist. The smallest value is shown

c. Percentiles are calculated from grouped data.

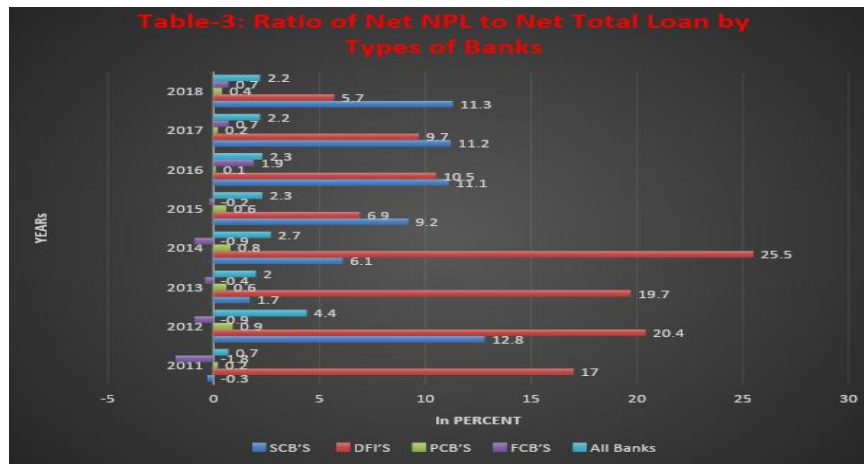
Total gross nonperforming loans are the sum of all unpaid loans that are considered nonperforming loans in the eyes of the banking community. After ninety days, banks must designate nonperforming loans as nonperforming since they are not receiving principal or net payments. Summarizing substandard, doubtful and bad loans as well as accrued interest yields the total amount of gross nonperforming loans (NPL). Gross nonperforming loans have a negative impact on the bank's goodwill and equity value. Investing in a bank with a low equity value is challenging due to low return on investment and low share value. According to several studies conducted throughout the world, bank financial health is adversely associated with gross nonperforming loans (NPLs). So, a healthy banking system's long-term viability hinges on keeping a tight lid on gross nonperforming loans.

As shown in table-2, trends in gross nonperforming loans as a percentage of total loans per

bank type are presented in both tabular and graphical form (in percent). At the end of 2018, the banking sector's gross nonperforming loan ratio was 10.3 percent. SCBs, DFIs, PCBs and FCBs had gross NPL ratios of 30.0, 19.5, 5.5, and 6.5 percent at the end of 2018. PCBs had the lowest percentage in gross nonperforming assets, while SCBs had the highest percentage. The table reveals that at the end of 2011, SCBs, DFIs, PCBs, and FCBs had gross NPL ratios of 11.3, 24.6, 2.9, and 3.0 percent. SCBs, DFIs, PCBs, and FCBs had gross nonperforming loans ratios of 26.5, 23.4, 4.9, and 7.0 percent, respectively, at the end of 2017. As can be seen in the table below, the gross NPL ratio of SCBS, DFIs, PCBs and FCBs increased throughout the research period of 2011-2018, whereas DFIs declined. All banks have significant NPL levels, however special attention must be paid to SCBs and DFIs, or else banks may suffer negative asset quality, goodwill problems, and investors, as well as unsound banking systems.

Table-3: Ratio of Net NPL to Net Total Loans by Types of Banks (Figure in Percentage)

Bank Types	2011	2012	2013	2014	2015	2016	2017	2018
SCBs	-0.30	12.80	1.70	6.10	9.20	11.10	11.20	11.30
DFIs	17.00	20.40	19.70	25.60	6.90	10.50	9.70	5.70
PCBs	0.20	0.90	0.60	0.80	0.60	0.10	0.20	0.40
FCBs	-1.80	-0.90	0.40	-0.90	-0.20	1.90	0.70	0.70
Total	0.70	4.40	2.00	2.70	2.30	2.30	2.20	2.20



Source: Department of Off-site Supervision (DOS), Bangladesh Bank

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
2011	5	3.3	226.5	450.0	90.000	37.1472	83.0637
2012	5	8.5	427.4	854.8	170.960	72.5584	162.2456
2013	5	13.0	405.8	811.6	162.320	66.3926	148.4583
2014	5	17.1	501.6	1003.2	200.640	84.1582	188.1834
2015	5	18.2	594.0	1188.0	237.600	102.9440	230.1897
2016	5	24.1	621.8	1243.6	248.720	107.3770	240.1023
2017	5	21.5	743.1	1486.2	297.240	130.3148	291.3928
2018	5	22.9	939.2	1878.4	375.680	167.6116	374.7910
Valid N (listwise)	5						

Net nonperforming loans refers to the amount of nonperforming loans minus provisions for bad and doubtful debts, as calculated by the banks themselves. A preemptive payment from the banks usually covers unpaid obligations. To determine net nonperforming loans, one must subtract a provision for non-payment of obligations from unpaid obligations. In terms of profitability and liquidity, net nonperforming loans have a substantial influence on a bank. As seen in table-3, trends in gross nonperforming loans as a percentage of total loans are shown in both tabular and graphical form (in percent). In 2018, the total banking industry had a net nonperforming loan ratio of 2.2 percent. SCBs, DFIs, PCBs, and FCBs had net NPL ratios of 11, 5, 0.4, and 0.7 percent, respectively, at the end of 2018. NPL ratios for PCBs were the lowest, while those for SCBs were the greatest. SCBs, DFIs, PCBs, and FCBs had net NPL ratios of -0.3, 17.0, 0.2, and 1.8% at the end of 2011. SCBs, DFIs, PCBs, and FCBs had gross nonperforming loans ratios of 11.2, 9.7, 0.2, and 0.7 percent, respectively, at the end of last year. During the research period 2011-2018, SCBs, DFIs, PCBs, and FCBs had increasing NPL ratios, whereas DFIs had

declining NPL ratios. Although all banks have a high level of net NPLs, extra attention must be paid to SCBs and DFIs, or else banks may face liquidity crises that might have a negative impact on their daily operations and overall profitability. Without proper recovery of

CONCLUSION

The development of the banking industry is a prerequisite for economic growth. Banks play an important role in capital formations, savings and investments, and long-term economic prosperity. NPLs are increasingly continuing to weigh heavily on the financial sector, which is a sad fact. Banks' ability to collect deposits, make loans and advances and manage loans effectively determines their success.

During the research period of 2011-2018, the total amount of nonperforming loans (NPLs), the gross NPLs ratio to total loans, and the net NPLs ratio to total loans all increased at worrisome rates in Bangladesh's banking industry. From Tk 743 billion at the end of 2017, the amount of nonperforming loans in the banking industry grew by Tk 196 billion, reaching Tk

939 billion at the end of 2018. They accounted for 10.30 percent of the total outstanding loans in the banking sector as of the end of 2018. At the end of 2017, the number was 9.31 percent. Study revealed that at the end of 2018, there were 30.0 percent, 19.5 percent, 5.5% and 6.5 percent gross nonperforming loans (NPLs) on total loans for SCBs DFIs PCBs FCBs. Although most Bangladeshi banks have NPL-to-total-loan ratios over the international norm of 2 percent. Despite the fact that all banks had a high level of net NPLs, special attention NPLs. Banks may suffer asset quality, goodwill crisis, liquidity crisis, negatively affect banks' profitability, resulting in increased financial stability risks and an economic slowdown [18].

Due to the direct impact on economic and financial markets, the research results recommend that growing nonperforming loans (NPLs) must be dealt with quickly and properly. As a result of the study, it was determined that NPLs should be measured for both prevention and resolution. Preventive methods include credit assessment, continuing loan monitoring, managing loans that have been categorized as NPLs, Basel III implementation, and loss provisioning. Dialogue with borrowers to examine repayment terms, renegotiating the term loan agreement by lowering the interest rate, legal proceedings to seize any collateral, selling the NPLs to other parties, and writing down. The value of NPLs would be among the resolution procedures that would be taken. Scientists anticipate these preventative and remedial actions from researchers. Concerned authorities should begin it as soon as possible to guarantee a sound financial environment in Bangladesh.

RECOMMENDATIONS AND SUGGESTIONS

In Bangladesh, there is no fascinating answer to the problem of exploding nonperforming loans. To recover the nonperforming loans, a master plan with a set timeframe will be required. To guarantee strong governance and accountability inside their organizations as well as transparency, banks must enforce exemplary punishment for compromised employees. Most of the officials of the banks are compelled to do some unethical activities with the pressure on higher management by remote transfer, unlawful punishment, and negative marking on annual confidential reports that are detrimental for career growth. So annual confidential reports should be measured on an equal opportunity basis by the two-factor authentication between employee's performance metrics and management's performance. No official can work at the same branch for longer than three years to comply with Bangladesh Bank regulations. But in most cases, officials are found long-term in the same places. If any changes, they come back to the same department within a very short period. They spend the majority of their time at the same desk in loan, advance, and foreign exchange departments. These types of officials are

found to have direct involvement in all sorts of unlawful activities with the support of the bank's senior management in the banking sector. The bank's legal department is essential for recovering nonperforming loans, but it also provides assistance to debtors in most situations. Banks are unable to collect nonperforming loans when the courts rule in favor of borrowers. Bangladesh Bank should properly monitor overall activities and should show zero tolerance regarding banking corruptions. The audit and credit investigation department of Bangladesh Bank should be fully revised due to establishing transparency within the organization. Auditing and credit risk management departments should be mandated under Basel III. This includes modernizing its monitoring systems and ensuring that they are implemented on schedule. Politicians must stay out of the financial industry. Appointment and cancellation regulations should be clearly defined for the bank's managing director, Board of directors, and chairperson. Priority should be given to finance and banking related scholars. Proper rules and regulations should be applied no one will be allowed to participate as employees, advisors, and owners of companies or members of any political organization, society, and foreign organization up to three years from the date of retirement. Businessmen, entitled to corruption, are banned on foreign tours, confiscated their passports, stopped all sorts of social participation, and postponed all sorts of government facilities until regularization of the loans.

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