

ANALYSIS OF CREDIT RISK: DESIGNATED SEVEN COMMERCIAL BANKS OF BANGLADESH

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ABSTRACT

One of the fundamental businesses of a Bank is to encompass credit to numerous entrepreneurs affianced in manufacturing, trading or in service industry for socio-economic improvement of the country. Extension of any credit does not ineludibly certify proper utilization and safe return thereof. There are some risks that the borrower may not return the money according to the agreed terms due to inability or unwillingness or may breach other covenant or terms of sanction creating adverse impact on profitability, capital, image and reputation of the bank. This may summons not only financial loss but also operational hazards and reputational threat. Such risks may arise from direct funding activities as well as from non-funding commitments. Risk is an intrinsic part of banking business. In case of credit business, the risk is more substantial and also sensitive. The rate at which the credit risk is snowballing in the banking sector of Bangladesh is not anticipated. We have enumerated the credit risk of the banking sector in Bangladesh in this study. We took seven commercial banks as model and evaluated their credit risk. We used the ratio analysis technique to study this. We got some banks those have higher, some banks those have moderate and some banks those have lower credit risk. This study divulges that non-performing loan of almost every bank is swelling. If this growing inclination is unrelenting, our banking sector will be in vulnerability.

KEYWORDS: *Socio-Economic, Profitability Financial Loss, Operational Hazard, Reputational Threat. Non-Funding Commitment, Credit Risk, Commercial Bank, Non-Performing Loan*

CONTRIBUTION/ ORIGINALITY

This study is one of very few studies which have investigated the credit risks of particular commercial banks expending quantitative tool unveiling a disquieting prominence on the non-performing loans rising. The sensitivity of credit risk has been taken into consideration with non-performing loan swallowing.

Article History

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