Loans And Advances Portfolio Mix Of Public Sector Development Banks In Bangladesh

** S. M. Rabiul Alam*
*** Syed Zabid Hossain*

INTRODUCTION

Investment by banks includes those funds that are placed in the credit instruments of enterprises, both public and private, for a relatively long period of time with an objective to earn income. It has two mutually exclusive objectives: liquidity of funds and income. The investment portfolio of development banks usually consists of term loans in different sectors of the economy. The nature, type and quantum of the investment portfolio are determined by a host of factors, viz. the general level of funds available in the bank; industrial, economic, and fiscal policy of the government; risk-return capacity of the particular asset, etc. These factors are individually and collectively responsible for the pattern of investment at a particular date. When development banks are left with excess funds after meeting the credit needs and the liquidity requirement, they prefer to invest these funds in such securities as may earn some income. The volume and direction of the investment portfolio depends upon the availability of bank funds, the credit needs of the economy, and the banks' policy regarding employment of funds (Verma, 1993).

BACKGROUND OF DEVELOPMENT BANKS IN BANGLADESH

Development Banks are a particular type of development financing institutions. They provide term credit for industrial development of a country. The primary role of development banks is to provide loan and equity capital supported by technical assistance to investors. There are two public sector development Banks in Bangladesh. They are Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS). Recently, these two organizations have been merged into one in the name of Bangladesh Development Bank Limited (BDBL).

❁ **Bangladesh Shilpa Bank (BSB):** Bangladesh Shilpa Bank has its origin in the early days of Pakistan. An industry needs, besides working capital, fixed capital for the acquisition of land, construction of buildings, purchase of capital equipment, etc. Although by 1957, a network of commercial banks had been established to meet the industrial working capital needs in the country, the facilities for raising fixed capital were inadequate. Pakistan Industrial Finance Corporation was, later on, converted into the Industrial Development Bank of Pakistan on August 1, 1961 under the Industrial Development Bank Ordinance, 1961 for providing medium and long-term credit facilities to the industrial concerns, both existing and new ones, engaged in the manufacture, preservation or processing of goods and mining and generation of power. As a consequence of the emergence of Bangladesh in 1971, the Regional Office of Industrial Development Bank of Pakistan was upgraded into the Head Office and was renamed as the Industrial Development Bank of Bangladesh through taking over the assets and liabilities of the Industrial Development Bank of Pakistan. After the independence of Bangladesh in 1972, the Industrial Development Bank of Bangladesh was again renamed as Bangladesh Shilpa Bank (BSB) on October 31, 1972, through the promulgation of Bangladesh Shilpa Bank Order, 1972 (President's Order No. 129 of 1972). In June 2009, it had its Head Office in Dhaka, 3 Zonal Offices, 15 Branches Offices along with 674 employees. Both authorized and paid up capital amount stood at Tk. 2000 million. The paid up capital was fully subscribed by the government.

❁ **Bangladesh Shilpa Rin Sangstha (BSRS):** Bangladesh Shilpa Rin Sangstha (BSRS) was established on 31 October 1972 by the President's Order No. 128 of 1972 to provide credit facilities and other assistance to industrial concerns and to encourage and broaden the base of investment of Bangladesh. As a successor of the Pakistan Industrial Credit & Investment Corporation (PICIC), BSRS inherited several projects financed by it. Pakistan Industrial Finance

* *Associate Professor of Accounting,* Department of Humanities, Khulna University of Engineering & Technology (KUET), Khulna-9203, Bangladesh. E-mail: rabiulsmalam@yahoo.com

** *Professor (Former Pro-Vice Chancellor, Khulna University),* Department of Accounting and Information Systems, Rajshahi University, Rajshahi-6205, Bangladesh. E-mail: syed6205@yahoo.com

Corporation, which had been in operation since 1949 was doing quite useful work, but its operations were restricted to rupee loans. Pakistan Industrial Credit and Investment Corporation (PICIC) was established in 1957 to fill the gaps. PICIC embodies the theory and practice of development banking, as it had evolved under the influence of the World Bank which, in fact, had closely assisted in its establishment and growth. Thus, PICIC is a privately Owned Development Bank established with the support of the Government and the World Bank. BSRS was vested with the undertaking of the Pakistan Industrial Credit and Investment Corporation Limited (PICIC), Investment Corporation of Pakistan (ICP), and National Investment Trust (NIT) located in Bangladesh. Later, on March 16, 1987, The Investment Advisory Center of Bangladesh (IACB) was merged with BSRS. In June 2009, it had its Head Office and two branch offices in Dhaka along with 239 employees. Both authorized and paid up capital amount stood at Tk. 2000 million and Tk. 700 million respectively. The paid up capital was fully subscribed by the government.

STATEMENT OF THE PROBLEM

There is a huge amount of outstanding loans and bad debt in the development banks due to poor project appraisal. The project appraisal reports have been lengthy, cumbersome, and mechanically repetitive. Their return on assets and return on capital employed have a declining trend over the period. They cannot pay their fixed charge liabilities including interest due to poor operational performance. Besides, a major portion of their total fund is invested in Dhaka division only, neglecting the other regions of Bangladesh (Zaman, 2004). Development banks evaluate the *"5Cs"* while judging credit worthiness of the applicant that are- capital, collateral, character, capacity, and coverage. However, poor loan recovery rate is a testimony to inefficient project appraisals and selection of borrowers (Nizami,1991). The time taken for project implementation is extremely long. The average time taken is 46 months as against the norm of 18 months (Sobhan and Ahsan, 1986). Most of the overdue loans in the development banks are the outcome of willful default. Some dishonest industrialists have been utilizing their socio- political linkages for getting loans. They do not pay loans in spite of their repayment capability (Khan, 1989). There is thus, a huge amount of loan default in most of the projects sponsored by the development banks in Bangladesh. Most of the private industrial units financed by these institutions are unsuccessful and are chronic defaulters over the period (Sobhan and Ahsan, 1988).
It is difficult for the development banks to impose penalties on defaulters. Inadequate long term deposits and an almost total absence of non depository financial instruments in a shallow capital market, coupled with limitations on growth of lonable funds at their disposal has made all these development banks almost entirely dependent on the government for their funds (Alamgir, 1986).

EVALUATION OF THE PORTFOLIO MIX

Portfolio management is essentially a systematic method of managing one's investments efficiently (Kevin, 2000). Many factors have contributed to the development and growth of this systematic approach to investment management. It would be interesting to trace the evaluation of investment management over the years (Nagarajan, 2007). The researchers have also seen the characteristics of return from a single investment proposal. We have also seen that if two separate investment proposals are expected to give the same return, the investment proposal for which the standard deviation of returns is minimum is a less risky proposition. A firm can opt to invest in more than one business in order to spread its risk. A firm that is at present occupied in some business activity may opt to diversify into other lines of business activities as a strategy. The proverb *'Don't put all your eggs in one basket'* is worth working in the formulations of business strategy. When the actual performances of a business change for the most awful as compared to the estimates and forecasts, a firm that has put its funds in only one business activity is sure to experience a huge loss. In order to defend against such eventualities, the use of portfolio building strategies is relied upon (Lawrence, 1986). The rate of return from a portfolio of securities or assets is the weighted average of the returns from the individuals securities included in it. The weights are the proportions of each security in the portfolio. The actual return on a portfolio tells you how well your investment has performed in the past. However, if you are trying to decide what to invest in, you are concerned with a future performance of your portfolio, and should calculate the expected rate of return. Portfolio theory provides investors with a method of selecting securities that will provide the highest expected rate of return for any given degree of risk or that will provide the minimum amount of risk for any given expected rate of return (Brigham, 2002).

SECTOR WISE LOANS AND ADVANCES IN THE PORTFOLIO

Sector wise loan and advances in portfolio in BSB and BSRS has been discussed to have an idea of the composition of their portfolio. Table 1 presents the sector wise loans and advances in BSB during the period of study. It is observed that cotton wool and synthetic textile dominated the portfolio of loan and advances during the whole period of review. It fluctuated between 43.45 percent of the total loans and advances in 2001-02 and 63.46 percent in 2008-09, with a fluctuating but increasing trend over the period. Food and allied products were ranging between 3.71 percent in 2006-07 and 14.24 percent in 2000-01, with a gradual decreasing trend. Jute and allied products fluctuated between 0.07 percent in 2008-09 and 6.98 percent in 2005-06, with a decreasing trend. It was only .07 percent of the total portfolio during the last two years of the study. Share of paper and paper products fluctuated between 1.55 percent in 2008-09 and 2.65 in 1999-00, with a gradual decreasing trend. Tannery and leather products occupied 0.069 percent in 2003-04 and 4.07 percent in 1999-00, with a fluctuating but decreasing trend over the period. Non metallic products occupied a very negligible share of the total loans and advances during the whole period of review. It fluctuated between 0.07 percent in 2007-08 and 2.07 percent in 1999-00, with a decreasing trend over the period.

Forest and wood products occupied a very small portion of the loan and advances portfolio. BSB did not invest even a single taka in this sector during the last four years of the study. The scenario of rubber and rubber products was the same, akin to forest and wood products. BSB did not invest money in this sector during the second half of the study

Table 1 : Sector Wise Loans And Advances of BSB During 1999-2000

(Amount in million taka)

Sectors	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Food and Allied products	2923 (13.73)	2850 (14.24)	2721.7 (13.70)	1548 (10.00)	1584 (9.73)	530 (5.90)	440 (5.60)	303.22 (3.71)	339.52 (4.43)	470.42 (5.83)
Jute and Allied Products	1093 (5.13)	1009 (5.04)	992 (4.97)	753 (4.86)	733 (4.50)	551 (6.13)	549 (6.98)	540 (6.62)	5.7 (.07)	5.31 (0.07)
Cotton, wool and synthetic textiles	9741 (45.78)	9560 (47.78)	8625 (43.45)	7890 (50.09)	8461 (52.0)	5613 (62.44)	4518 (57.42)	4914 (60.20)	4883 (63.77)	5117.33 (63.46)
Paper, paper products	560 (2.65)	478 (2.38)	494 (2.48)	336 (2.17)	610 (3.74)	177 (1.96)	141 (1.80)	142 (1.71)	132 (1.72)	124.98 (1.55)
Tannery and leather products	867 (4.07)	768 (3.83)	709 (3.57)	358 (2.31)	113 (.069)	110 (1.22)	110 (1.4)	107 (1.31)	102 (1.33)	91.94 (1.14)
Non-metallic material products	442 (2.07)	385 (1.92)	346 (1.74)	279 (1.80)	177 (1.08)	100 (1.11)	86 (1.09)	71 (.08)	56 (.07)	41.39 (0.51)
Forest and wood products	10 (.004)	10 (.004)	10 (.005)	7 (.004)	7 (.004)	7 (.007)	0	0	0	0
Rubber and Rubber Products	78 (.046)	65 (.0032)	80 (.004)	65 (.04)	4 (.002)	0 (00)	0	0	0	0
Metal products	1089 (5.11)	1198 (5.98)	1226 (6.18)	498 (3.21)	337 (2.07)	40 (.04)	27 -(.03)	29 (.04)	20 (.03)	22.58 (0.28)
Machinery & Electrical Equipment	702 (3.29)	700 (3.50)	801 (4.03)	522 (3.36)	602 (3.70)	50 (.05)	49 (.06)	63 (.08)	51 (.67)	59.1 (0.73)
Transport Equipment	441 (2.07)	248 (1.23)	239 (1.20)	208 (1.34)	213 (1.30)	96 (1.06)	60 (0.07)	70 (.09)	75 (.09)	54.94 (0.68)
Chemicals & Pharmaceuticals	1263 (5.93)	1363 (6.81)	1364 (6.87)	1234 (9.96)	1417 (8.71)	384 (.42)	406 (5.16)	369 (4.52)	376 (4.50)	352.18 (4.37)
Service industries	1011 (4.75)	1038 (5.18)	1130 (5.69)	723 (4.66)	939 (5.77)	209 (2.32)	233 (2.96)	225 (2.75)	208 (2.71)	197.5 (2.45)
Miscellaneous	1061 (4.98)	1034 (5.17)	1115 (5.61)	1071 (6.91)	1071 (6.58)	1121 (12.47)	1249 (15.87)	1329 (16.30)	1409 (18.40)	1526.35 (18.93)
Grand Total	**21281**	**20006**	**19852.7**	**15492**	**16268**	**8988**	**7867.45**	**8162.22**	**7657.22**	**8064.05**

Source: Annual Reports of BSB, *Figures in brackets indicate percentage of total loans and advances.

period. Metal products also occupied an insufficient share of the total portfolio. Its share ranged between 0.03 percent in 2007-08 and 6.18 percent in 2001-02 with a fluctuating, but declining trend over the period. Machinery and electric equipment also occupied a very negligible portion of the total loan and advances portfolio. It fluctuated between 0.05 percent in 2004-05 and 3.70 percent in 2003-04, with a fluctuating but declining trend. Transport equipment also occupied a negligible share of the loan and advances portfolio. It ranged between 0.07 percent in 2005-06 and 2.07 percent in 1999-00, with a declining trend over the period. The share of chemical and pharmaceutical products fluctuated between 0.42 percent in 2004-05 and 9.96 percent in 2002-03, with a fluctuating but decreasing trend. Service industries occupied 2.32 percent in 2004-05 and 5.77 percent in 2003-04, with a fluctuating but declining trend. Miscellaneous occupied 4.98 percent in 1999-00 and 18.93 percent in 2008-09, with a gradual increasing trend. The inference that could be drawn from the above analysis is that cotton, wool and synthetic textiles alone dominated the total portfolio of loans and advances during the whole period of review. Its share had a gradual increasing trend over the period. In the concluding year of the study, this sector alone occupied about two-thirds of the total loans and advances of BSB. Other important sectors are the food and allied sectors (4.98 to 8.93 percent). Thus, the portfolio management of BSB was very inefficient. It had measurably filed to diversify its risk in different economic activities. Another most revealing point is that the absolute amount of loans and advances had a declining trend over the period of study, which suggests that BSB had to reduce its volume of business during the period of study due to poor operational performance. This gives a clear idea about the portfolio mix of BSB.

The Table 2 presents the sector wise loans and advances of BSRS during the period of study. It is observed that Jute and

Table 2: Sector-Wise Loans and Advances of BSRS During 1999-2009

(Amount in million taka)

Sectors	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Food and allied products	3081.96 (17.61)	3051.74 (20.14)	2985.42 (18.06)	1728.6 (11.12)	1200.77 (19.43)	492.7 (16.7)	273.3 (11.76)	186.94 (8.87)	180.69 (8.63)	18.26 (0.84)
Textile & allied products	3377.93 (19.30)	3345.3 (22.07)	3114.04 (18.84)	1785.45 (11.48)	1665.22 (26.95)	637.7 (21.60)	627.5 (27)	570.69 (27)	583.75 (27.88)	701.49 (32.34)
Jute & allied products	5639.98 (32.32)	3345 (22.07)	5624.69 (34.04)	1192.79 (7.67)	1106.25 (17.90)	817.7 (27.70)	669.69 (28.80)	653.21 (30.97)	638.02 (30.48)	517.30 (23.85)
Paper, printing & publishing	120.97 (.07)	131.56 (.08)	134.95 (.08)	64.99 (.04)	64.27 (1.04)	56.4 (1.91)	NA	NA	NA	NA
Tannery, leather & rubber products	138.94 (.08)	162.49 (1.07)	179.58 (1.08)	189.71 (1.22)	168.14 (2.27)	7.71 (.03)	67.03 (2.89)	68.25 (3.23)	10.87 (.05)	64.32 (2.97)
Chemicals & pharmaceuticals	2403.04 (13.73)	2417.35 (16.0)	2404.03 (14.55)	1419.35 (9.13)	1372.09 (22.21)	581.09 (19.68)	425.97 (18.32)	382.86 (18.16)	438.05 (20.93)	368.99 (17.01)
Engineering	616.44 (3.52)	577.41 (3.81)	512.69 (3.10)	263.01 (1.70)	177.52 (2.87)	46.43 (1.57)	12.92 (.06)	12.95 (.06)	11.74 (.06)	77.92 (3.59)
Service	723.03 (4.13)	737.15 (4.86)	188.59 (1.14)	48.25 (.03)	49.2 (.08)	7.89 (.03)	3.47 (.01)	3.13 (.02)	2.34 (.01)	2.34 (0.11)
Transportation	1194.5 (6.83)	1198.95 (7.91)	1198.06 (7.25)	258.26 (1.67)	163.23 (2.64)	96.63 (3.27)	35.67 (1.53)	28.64 (1.40)	26.64 (1.27)	25.36 (1.17)
Miscellaneous	120.98 (.07)	92.33 (.06)	82.34 (.05)	91.47 (.06)	84.79 (1.37)	68.13 (2.30)	61.68 (2.65)	54.47 (2.58)	43.8 (3.13)	221.64 (10.22)
Commercial loans	-	2.23 (.001)	4.37 (.002)	8397 (5.40)	9.1 (.015)	8.28 (.03)	9.31 (.04)	7.33 (.03)	7.33 (.04)	10.01 (0.46)
Loans under investor scheme	2.45 (1.40)	2.45 (.002)	2.44 (.001)	2.43 (.001)	2.43 (.004)	2.43 (.008)	2.42 (.01)	2.43 (.01)	2.42 (.01)	2.42 (0.11)
Staff loans	79.65 (.04)	88.65 (.06)	94.5 (.05)	104.65 (.07)	116.15 (1.88)	128.58 (4.36)	135.56 (5.83)	137.73 (6.53)	147.5 (7.05)	158.90 (7.33)
Total	**17499.87**	**15152.61**	**16525.7**	**15545.96**	**6179.16**	**2951.67**	**2324.52**	**2108.63**	**2093.15**	**2168.97**

Source: Annual Reports of BSB, *Figures in brackets indicate percentage of total loans and advances.

allied products had occupied a lion's share of the total portfolio of loans and advances, followed by textile and allied products, chemicals and pharmaceuticals, food and allied products, transportation, and staff loan in that order. The share of jute and allied products was ranging between 7.67 percent in 2002-03 and 34.04 percent in 2001-02, with a fluctuating trend over the period. The share of textile and allied products ranged between 11.48 percent in 2002-03 and 32.34 percent in 2008-09, with a fluctuating but increasing trend over the period. It had a fluctuating trend during the first half of the study period. Thereafter, an increasing trend set in. Even in the concluding year of the study, it alone occupied about one-third of the loan and advances portfolio. Chemicals and pharmaceuticals occupied 9.13 percent in 2002-03 and 22.21 percent in 2003-04, with no definite trend of rise and fall. Food and allied products had occupied 0.84 percent in 2008-09 and 20.14 percent in 2000 -01, with a decreasing trend during the second half of the study period. It decreased so much so that it was even less than 1.00 percent of the total loan and advances portfolio. The transportation sector had occupied 1.17 percent in 2008-09, and 7.91 percent in 2000-01, with a gradual decreasing trend. The next component is staff loan, which had occupied 0.04 percent in 1999-00 and 7.33 percent in 2008-09, with a gradual increasing trend over the period. Thus, the most unproductive investment i.e. staff loan had increased remarkably over the period of study. Tannery, leather & rubber products had occupied 0.03 percent in 2004-05 and 3.23 percent in 2006-07, with a fluctuating trend over the period. The Engineering sector had occupied 0.06 percent in 2006-07 and 3.81 percent in 2000-01, with a fluctuating but decreasing trend. All other sectors such as paper, printing & publishing; services, miscellaneous, commercial loans, and loans under investment scheme collectively occupied a very small share of the loan and advances portfolio. Their collective share was even less than 5 percent during the whole period of review.

Table 3: Classification Status of Loans and Advances In BSB During 1999-2009

(Amount in million taka)

	Unclassified Loan				Classified Loan			
Year	**Standard loan**	**Staff loan**	**Total unclassified loan**	**Sub - standard**	**Doubtful**	**Bad/Loss**	**Total classified loan**	**Grand Total**
1999-00	7136.26 (33.67)	NA	7136.26 (33.47)	236.43 (1.11)	128.06 (0.60)	13820.80 (64.82)	14185.29 (66.53)	21321.56 (100)
2000-01	6146.88 (29.67)	608.70 (2.94)	6755.58 (20.61)	223.40 (1.08)	93.32 (0.45)	13643.06 (65.85)	13959.78 (67.38)	20715.36 (100)
2001-02	6473.59 (32.59)	685.53 (3.45)	7156.12 (36.04)	269.51 (1.36)	110.56 (0.55)	12320.68 (62.03)	12700.75 (63.95)	19859.89 (100)
2002-03	5978.25 (36.37)	778.35 (4.74)	6756.60 (41.11)	198.00 (1.20)	33.41 (0.20)	9444.82 (57.47)	9676.23 (58.88)	16432.86 (100)
2003-04	5263.73 (32.55)	880.53 (5.44)	6144.26 (38.00)	181.24 (1.12)	283.99 (1.75)	9559.19 (59.12)	10024.42 (62.00)	16168.68 (100)
2004-05	4259.50 (51.16)	986.46 (11.07)	5245.96 (58.87)	62.33 (.07)	46.71 (.05)	3555.67 (39.90)	3664.71 (41.12)	8910.67 (100)
2005-06	4203.38 (53.26)	1084.75 (23.88)	5288.13 (67.58)	1.95 (.002)	110.15 (1.39)	2492.20 (31.57)	2604.30 (32.99)	7892.44 (100)
2006-07	3962.71 (48.53)	1203.71 (14.74)	5916.57 (72.46)	1.73 (.002)	NA	2246.49 (27.51)	2248.11 (27.53)	8164.80 (100)
2007-08	3923.88 (51.22)	1329.08 (17.35)	5426.29 (70.83)	245.54 (3.20)	92.12 (1.20)	1896.34 (24.75)	2234.00 (29.16)	7660.24 (100)
2008-09	4364.71 (54.12)	1445.00 (17.92)	5855.53 (72.61)	45.80 (.05)	7.96 (.009)	2154.73 (26.72)	2208.49 (27.38)	8064.05 (100)
Total	**52942.68**	**9002.1**	**61944.78**	**1465.93**	**906.28**	**71133.98**	**73506.18**	**135190.55**
Average	**5294.27**	**1000.23**	**6194.48**	**146.59**	**100.70**	**7113.40**	**7350.60**	**13519.06**
SD	**1069.36**	**289.52**	**711.02**	**106.39**	**79.61**	**5117.13**	**5231.79**	**5906.96**
CV	**20.20**	**28.95**	**11.48**	**72.58**	**79.06**	**71.94**	**39.15**	**43.69**

Source: Annual Reports of BSB, *Figures in brackets indicate percentage of Grand Total.

The Table 3 presents a classified status of loans and advances of BSB and BSRS during the period of review. It is observed that classified loans and advances dominated the structure of loans and advances during the first half of the study period, while unclassified loans and advances dominated the structure of loans and advances during the second half of the study period. The share of classified loans had a decreasing trend during the second half of the study period. In BSB, the total unclassified loans and advances were ranging between 20.61 percent in 2000-01, and 72.61 percent in 2008-09, with an average of 41.81 percent. While unclassified loans and advances were ranging between 27.38 percent of total loans and advances in 2008-09, and 63.95 percent in 2001-02, with an average of 54.37 percent over the period of review. During the first half of the study period, bad debt loss was more than half of the total loans and advances. During the whole period, it ranged between 27.38 percent in 2008-09 and 67.38 percent in 2000-01, with an average of 52.62 percent. Thus in BSB, on an average, more than half of the total loans and advances were bad debt. The other two components are substandard and doubtful, but their contribution to the total loans and advances was even less than 2 percent. Bad debt loss alone dominated the total structure of loans and advances during the period of review. This situation gives a very bad impression for the long term survival of BSB as a development financing institution.

Table 4 : Classification Status Of Loans And Advances In BSRS During 1999-2009

(Amount in million taka)

	Unclassified Loan				Classified Loan			
Year	**Standard loan**	**Staff loan**	**Total unclassified loan**	**Sub - standard**	**Doubtful**	**Bad/Loss**	**Total classified loan**	**Grand Total**
1999-00	1283.72 (7.37)	NA	1283.72 (7.37)	111.07 (0.64)	14.71 (0.08)	16008.36 (91.90)	16134.14 (92.63)	17417.86 (100)
2000-01	1537.77 (8.89)	NA	1537.77 (8.89)	44.31 (0.26)	105.64 (0.61)	15601.69 (90.23)	15751.64 (91.11)	17289.43 (100)
2001-02	2475.75 (14.98)	NA	2475.75 (14.98)	107.02 (0.65)	61.61 (0.37)	13881.33 (84.00)	14049.96 (85.02)	16525.70 (100)
2002-03	2449.06 (34.22)	NA	2449.06 (34.23)	55.04 (0.77)	NA	4651.84 (65.00)	4706.88 (65.77)	7155.95 (100)
2003-04	2276.16 (36.83)	NA	2276.16 (36.84)	0.10 (0.16)	213.96 (3.46)	3668.94 (59.37)	3883.00 (62.84)	6179.18 (100)
2004-05	1147.00 (38.86)	NA	1147.00 (38.86)	118.16 (4.00)	0.22 (0.007)	1685.62 (57.11)	1804.00 (61.13)	2951.02 (100)
2005-06	1067.56 (45.92)	NA	1067.56 (45.92)	85.12 (3.66)	63.07 (2.71)	1108.81 (47.69)	1257.00 (54.08)	2324.57 (100)
2006-07	1049.20 (49.76)	NA	1049.20 (49.76)	0.37 (0.02)	0.15 (.007)	1058.93 (50.21)	1059.45 (50.24)	2108.67 (100)
2007-08	1099.77 (52.54)	NA	1099.77 (52.54)	0.39 (0.2)	0.20 (.009)	992.78 (47.43)	995.17 (47.54)	2093.14 (100)
2008-09	1065.54 (49.12)	NA	1065.54 (49.13)	349.20 (16.09)	18.96 (0.87)	735.25 (33.89)	1103.41 (50.87)	2168.97 (100)
Total	**15455.55**	**NA**	**15469.84**	**870.78**	**478.52**	**59393.55**	**60744.65**	**76214.49**
Average	**1545.55**	**NA**	**1550.69**	**87.07**	**47.85**	**5939.35**	**6074.46**	**7621.449**
SD	**25.45**	**NA**	**25.45**	**103.34**	**13.27**	**13.27**	**6517.07**	**6762.43**
CV	**0.70**	**NA**	**0.70**	**118.67**	**28.87**	**0.7**	**107.29**	**88.73**

Source: Annual Reports of BSB, *Figures in brackets indicate percentage of Grand Total.

The Table 4 presents the status of classified loans and advances of BSRS during 1999-2009. The Table 4 reveals that the share of unclassified loans and advances was ranging between 7.37 percent in 1999-00 and 52.54 percent in 2007-08, with an increasing trend over the period. The average unclassified loans and advances were 20.35 percent. Thus, classified loans and advances dominated the structure of total loans and advances during the period of review. The share of classified loans and advances in BSRS ranged between 47.54 percent in 2007-08, and 92.63 percent in 1999-00, with an average of 79.70 percent over the period. The most revealing fact is that bad debt loss alone dominated the total structure of loans and advances in BSRS in most of the years under review. It was ranging between 33.89 percent in 2008-09, and 92.63 percent in 1999-00, with an average of 77.92 percent over the period of review. Other two components of classified loans and advances are substandard loan and doubtful loan, but their share in the total loans and advances was very negligible. Thus, bad debt alone occupied, on an average, more than three-fourths of the total loans and advances. This is very dangerous for the survival of the enterprise. The management should look into the matter with due diligence, otherwise the entity would not survive for long.

CONCLUSION

Empirical analysis reveals that cotton wool and synthetic textiles dominated the portfolio of loans and advances in BSB during the whole period of review. This was followed by food and allied products, jute and allied products, paper and paper products, tannery and leather products, and non metallic products in that order. While Jute and allied products had occupied the lion's share of the total portfolio of loans and advances in BSRS, followed by textile and allied products, chemicals and pharmaceuticals, food and allied products, transportation, and staff loan in that order. The volume of business in BSB had negative growth over the period, as against positive growth in BSRS. Similarly, the absolute amount of outstanding had a decreasing trend in BSB. In BSB, on an average, more than half of the total loans and advances were bad debt. Bad debt loss alone dominated its total structure of loans and advances during the whole period of review. This situation gives a very bad impression for the long term survival of BSB as a development bank. Classified advances occupied, on an average, about four-fifths of the total loans and advances. The most revealing is that bad debt loss alone dominated the total structure of loans and advances in BSRS, like BSB in most of the years under review.

REFERENCES

1) Alamgir, Mohiuddin Khan (1986). "Monetary and Fiscal Policy-Development Banks in Bangladesh: Problems and Policies for Third-Five Year Plan." *Bangladesh Journal of Political Economy,* Bangladesh Economic Association, Dhaka, Vol. 7, No. 1A, December, pp. 159-161.

2) Brigham , E and Michael C. F. (2002). *'Financial Management.'* 10th Ed. UK. p. 25.

3) Choudhury, Afrauz Zaman Khan (2004). 'Bangladesh Shilpa Bank: A Study of Development Banking.' *Unpublished PhD. Dissertation,* Institute of Bangladesh Studies, Rajshahi University, Bangladesh.

4) Kevin, S. (2000). *'Portfolio Management.'* 1st Edition, New Delhi: Prentice-Hall of India (P) Ltd., p. 7.

5) Khan, A.R.(1989). "Profile of an Industrial loan Defaulter." *Bureau of Business Research,* Volume-II, Dhaka University, Bangladesh, p.162.

6) Lawrence D. Schall, and Charles W. Haley (1986). *'Introduction to Financial Management.'* 4th Edition New York: Magus Hick Book Company, p.149.

7) Nagarajan,K.(2007). *'Project Management.'* 3rd Edition New Delhi: New Age International (P) Ltd. pp. 427-428.

8) Nizami Md. Helal Uddin (1991). "Role of Bangladesh Shilpa Bank in Financing Industrial Project." *The Cost and Management,* Vol.19, No.1, Jan-Feb., Dhaka, pp. 12-16.

9) Sobhan and Ahsan (1986). "Development Planning Experience, Implementation of Projects in the Private Sector in Bangladesh: A Study of DFI Sponsored Project." *Bangladesh Journal of Political Economy,* Vol. 7, No.1, Bangladesh Economic Association, Dhaka, p. 208.

10) Sobhan R., and A. Ahsan (1988). "The Structure of DFI Sponsored Investment in Bangladesh." *Research Report, No.76,* Bangladesh Institute of Development Studies, Dhaka, p.121.

11) Verma H.L., and Malhotra, A.K. (1993). *'Funds Management in Commercial Banks.'* New Delhi: Deep & Deep Publication, p. 132.