



Corporate Governance Practices and Non-performing Loans in Banking Sector of Bangladesh: A comparative Study

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ABSTRACT

Purpose: This study attempts to identify & significantly examine how corporate governance practices interact with non-performing loans in the banking sector of Bangladesh. Corporate governance (CG) is one of the significant factors that has gained considerable attention due to several rising scams in the banking sector. Recent global financial crisis as well as collapse of few local and global splendens entities like Bismillah Group, Hallmark, MCI Inc., and WorldCom etc. have strongly affected the banking sector globally that forced to rethink the overall banking structure.

Methodology: The present study was descriptive in nature for which convenient sampling method was used to select the sample banks. Required data were collected from diversified data sources and tested with Microsoft Office (MS Excel).

Findings: The study found that different persons and sectors like debased and dishonest bank officials of BB, top management and powerful political figures commonly affect the lending decisions. CG practices ought to be fortified as well as careful and tactful lending decisions must be ensured to stop credits turn bad.

Practical Implications: Sometime, banks don't adhere to the principles and guidelines formulated by BB appropriately which are the constraints to operate business soundly. Each of the identified factors here ought to be analyzed cautiously so as to improve CG practices among the banks for fortifying the banking sector.

Originality: Researchers tried to track down the relationship between CG practices and their effect on NPLs in BD perspective considering the financial data of respective entities. The present paper simply added some new influencing factors to the several prior works in this field which made it unique.

Research Limitations: Researchers considered a limited part of the entire banking sector (only 12 of 61 banks) which has shown a partial status of this sector. It would be possible to take private, specialized, Islamic and state-owned banks' data and make a comparison to show the desired real picture of CG practices and non-performing loans of the whole banking sector.

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1. Introduction: Corporate Governance and Non-Performing Loans (NPLs)

Undoubtedly, the banking industry has become prevalent financial intermediaries in the financial system of Bangladesh. A well-represented establishment is required to utilize resources belonging to it ideally and optimally and accordingly, perform more fairly and efficiently as well as contribute decidedly to the development of a country's economy.

The abbreviation CG represents Corporate Governance which deals with balancing individuals and communal goals along with maintaining balance between social and economic goals from respective arms. It is corporate governance that hit the news in year 2000, while the collapse dependent on an absence of business ethics, obscure practices of accountancy and frail regulations of several worldwide corporations, for example, WorldCom, Enron, Global Crossing and Anderson become visible. The corporate governance is a framework relied on a blend of best and timely corporate strategies and practices bolstered by concerned corporate authorities with the ultimate goal of accomplishing their economic objectives honoring the interests of stakeholders' and society as a whole keeping in mind empowering the best possible utilization of resources which eventually seeks obligation for these resources. Principally, it facilitates a way to secure stakeholders' interests through accountability and assist organizations with drawing in financial and human capital to perform smoothly and generate long haul economic value for investors. Essentially, it pursues enhancement of transparency and accountability of entities (Thapa, 2008). These parameters significantly stimulate trust & cooperation among key persons in an organization and good CG is similarly remarkable for organizations' vulnerability. Moreover, fair practice of CG in the financial sectors like banking industry is viewed as a fundamental piece of the advancement of sound, transparent and duly performing capital by radiating shareholders' credence. In addition, it is a diametrical as well as fundamental component for the banking sector since financial institutions like banks are the traders of other peoples' money (Abbasi et al., 2012). CG emerges from potentially irreconcilable circumstances and interest among various arms in the association which may in existence for two significant reasons- first, different preferences and objectives of independent stakeholders, second, the stakeholders lack adequate information in terms of aggregated knowledge, preferences and activities (Osman 2007). Zingales (1978) identified the term as "...corporate governance is the complex set of constraints that shape the ex-post bargaining over the quasi-rents generated by a firm..." According to Haque et al., (2007), effective CG requirements for banking industry involve risk-bearing and control regulations, minimization of inaccuracies in monitoring and maximization of firm's financial performance in light of transparency, consistent, continuous and reliable disclosures and internal check and balances; and also incentives.

Banking system must ensure the effective corporate governance practices which are very fundamental to gain and maintain people's confidence (BCBS, 2006). The lower the level of investors' confidence, the greater the level of baulk to the handsome investment.

The banking system of Bangladesh under the domain of its Central Bank (BB) has undergone an ongoing development process since the 1990s although it faced very hard time just after the nation's freedom. The banking sector needs close observation in terms of performance as well as compliance to stimulate a huge piece of GDP growth. But there has not been any far-reaching sector-wise financial performance measurement which is very alarming. Banks play very basic role in an economy through collecting scattered savings and channeling the amount to profitable and productive segments. The better the function will work, the better the economic progress. The role is considerably increasing in developing country like Bangladesh, where banks are the significant wellspring of sources of long-term finance. A sound banking system stimulates fair utilization as well as efficient allocation of scarce resources.

There is no single globally acknowledged meaning of Non-Performing Loans (NPLs). The International Monetary Fund (IMF) has made an indication to it that a loan will be termed as nonperforming when payments of interest and/or principal are past due by 90 days or more; or interest payments equal to 90 days or more have been capitalized, refinanced, or delayed by agreement; or payments are less than 90 days overdue, but there are other good reasons such as a debtor petitioning for bankruptcy to uncertainty that payments will be made in full (IMF, 2005). In Bangladesh, NPLs are classified as substandard (banks make 10% provision for the unsecured portion of loans), doubtful (banks make 50% provision for doubtful loans), and bad or loss (banks make 100% provision for loss loans), which are calculated in accordance with uniform criteria. A loan is substandard in the event if it is overdue for 3 months or more but less than 9 months, doubtful if it is overdue for 9 months or more, but less than 12 months and bad or loss if it is overdue for 12 months or more.

The entire economy of a country is depicted by its banking industry. Economic advancement of the country is growing just with the expansion of its peoples' savings & disbursement of these savings to the deficit sectors. Tragically, the health checks neglect several issues that the sector sometimes experienced. Due to huge ongoing financial frauds & NPLs, it is very crucial to critically examine the sector. The increasing default loan size in recent years has brought the financial segment like banking industry of Bangladesh under animadversion. The healthy banking industry represents the health economy of a nation. Unfortunately, with the increasing size of banks along with their deposits as well as loans, financial scams like NPLs are also expanding year after year, which becomes a major concern for our GDP. Earlier, we introduced different unexpected financial collapses like Hallmark and Bismillah Group as well as BASIC Bank scam etc. that ultimately affected the entire economy. The present circumstances of these big scams and growing non-performing loan and advances (NPL/As) of banks require a keen observation of this arm in order to take effective measures accordingly. From the records of Bangladesh Bank, some financial scams like Hallmark Group (Tk. 0.02686 Trillion), T & Brothers (Tk. 0.0061 Trillion), Bismillah Group (Tk. 0.002 Trillion), Paragon Group (Tk. 1.47 billion), Ma Tex, EFS Enterprise and SPN Enterprise (Tk. 1.12 billion), Nakshi Knit (Tk. 660 million), AB Trade Link (Tk. 450

million) DN Sports (Tk. 330 million), Khanjahan Ali (Tk. 50 million) and credit card scam at United Commercial Bank (UCB) (Tk. 100 million) etc. were remarkable and also seemed as the largest scandals in the nation's banking sector in the previous 10 years which demonstrate absence of strict corporate governance and its improper practices as well as application among different banks.

As the central bank of Bangladesh, Bangladesh Bank (BB) provides guidelines for the banking industries which are to be followed by the commercial banks to run the banking operations in Bangladesh. To carefully monitor and control the destructive financial scams, Bangladesh Bank always encourages all the scheduled banks to maintain sound corporate governance.

2. Disclosure of Corporate Governance and Impact on Non-Performing Loans (NPLs)

Corporate Governance constructs a framework for transparent, convenient, pointful, logical and cool-headed organizational decision made by its top management with due interest & much consideration regarding the emerging necessities & demands of investors, partners as well as mindful creditors at different level. Good governance is the specialty of placing savvy thought into reasonable action such that propels the prosperity of the well-being of those governed.

As the Central Bank as well as Bank of Banks of Bangladesh, Bangladesh Bank (BB) has prescribed and provided the Corporate Governance compliance guidelines for all the banks here which every bank must follow and our randomly selected banks namely Sonali Bank Ltd., Janata Bank Ltd., Rupali Bank Ltd., Agrani Bank Ltd., BASIC Bank Ltd., Bangladesh Krishi Bank, United Commercial Bank Ltd., Dhaka Bank Ltd., AB Bank Ltd., First Security Islami Bank Limited, Shahjalal Islami Bank Limited, Islami Bank Bangladesh Limited are not exception.

Corporate Governance ought to be insured in banks, because they deal with public money and their (depositors) interests. Banks being operated here are committed to fair dealing and integrity in all of their banking activities and maintains apex standards of corporate governance, and to do so banks have a board comprised of 14 members (on average) including more than one independent director. The board usually adopts a comprehensive framework of the Corporate Governance Code designed to reassure stakeholders that a bank's business is based on growth and development from the firmest establishment. In order to guarantee fair practices of Corporate Governance, the Board of Directors including Chairman, the Management including the MD have been given/assigned responsibilities and authorities which are differentiated with respect to the general financial, operational, managerial and administrative policy & decision-making and executive affairs including any other large business activities, inner control, HR management, and so on. Credit policy is a vital and crucial part of any bank formulated by top management and CFOs which generally

BoDs approves at board meetings. Without knowing and understanding the policy of its concerned officials thoroughly, sometimes banks fail to make its stakeholders understand as well as fully communicate the lending policies. By observing the NPLs size in public and private, it is easy to understand the smoothness and effectiveness of their credit policies. The roles and responsibilities of all associated personnel such as who will receive formal credit proposal, analyze the loan applications, disburse the fund, supervise and monitor clients' activities with their fund, and maintain the recoupment file/account of loan etc. must be pre-specified. It is clear from the informal conversation with the top officials that if the respective persons found indifferent/careless in performing their duty properly and in time, there will be mismanagement in loan sanction which in turn create uncertainty in repayments which increases the amount of NPLs. Between Credit and Investment Risk Grading, the first one is followed by conventional banks, while Islamic banks based on Islami Shariah comply with the last one. In order to avoid discrimination in creditors' selection process/work, relationship managers, quest for individuals who need credit, should be separated from investment department. The banks should also set up & assign a team to go over the loan amount along with its nature & purpose and also its security arrangement etc. Collaterals and age group of loan clients must be scrutinized strictly before granting loan. Political and management influences are really a matter of concern which strongly impact the loan sanction decision. From previous history it is observed that the acute the pressure from these sides, the greater the chance of being misled in granting loans to the right persons. Generally, the pressure is seen acute in public banks compared to private banks. Frauds identified by the audit committee ought to be unveiled to BoDs to prevent through essential strides whatever political and management pressure on the committee. BoDs and audit committee may stimulate clashes regarding shortfalls just because of conflicts of interest. Along with the above political unrest is also liable for banks' infelicity. Moreover, in general, the more the defaulters, the more the amount of NPLs which cuts the profits of the institutions. Besides, lower profit can be result of higher liquidity in the banks, fall of interest rate on loan & advances but fixed/stable interest rate on deposits, and so on.

3. Corporate Governance and Banks Sustainability

Both micro (also called internal factors i.e. shareholders, employees, customers, suppliers, competitors, etc.) as well as macro (also called external factors like demographic, political-legal, social, technological, economic, natural etc.) factors significantly affect bank sustainability and that's why it is difficult to define in a single framework. Sustainable banking is a way of thinking that supports everything about banking, a worth framework that says a bank's business exercises must profit its staff and investors, yet in addition its clients and the more extensive economy, while simultaneously forestalling, or if nothing else limiting, any undue impacts on society and the regular habitat. A presumption in this common view is that sustainability goes over long after they are set up. Under this instance

corporate governance is very material & exigent just because of its propensity to positively stimulate transparency, honesty, integrity, accountability and responsibility among every organization's stakeholders (Sayd et al., 2011). Prominent scholars argued for long-term viability and endurance of banks in light of their efficiency in financial and operational activities (J. Morduch et al., 2007; Demirguc- Kunt et al., 2007). Ameer and Othman (2012) developed a study on corporate governance and sustainability of firms and showed how firms through the practices of good corporate gain greater ability to combat hostile market conditions as well as scams related to financial affairs. In a study conducted by Fatimoh Mohammed (2012) on corporate governance, assets quality and loan-to-deposit ratio on nine banks in Nigerian where he revealed that poor quality assets and loan-to-deposit ratios are negatively linked to corporate governance. The weaker the practices of CG the higher the NPL ratio and non-compliance in regulation of bank capital. Long term success and sustainability of an institution mostly depends on fair practices of CG and responsible management. Corporate governance is the framework or procedure directed to ensure the enthusiasm of the investors without upsetting the social. Corporate governance infuses systems, structures, frameworks, culture into an entity's operation that cause proficient activity of firms.

4. Review of Literature

Financial regulators have as of late made a move to improve the practices of corporate governance due to shortcomings in bank management that caused many bankruptcies. Some related prior studies are to be taken that can facilitate the present study-

Moody's survey of 62 international banks illustrated that global banks were focusing on corporate governance practices and accosting outlooks to change misstep. The study showed the managerial discreteness which is being repressed with regard to the reporting of loan-losses from NPLs. It was also suggested that significant governance structures would rely on consistent earnings. In addition, the legal and organizational surroundings can also function as a monitoring mechanism to lessen agency conflicts as well as mitigate governance problems among owners and managers (Bathala & Rao, 1995; Mak & Li, 2001).

Adhikary (2006) stated that nonperforming loans usually arise from the lack of effective oversight and supervision of credit activities; lack of proper reimbursement claims by depositors, asthenia of legal aspects, and ineffective debt recuperation policies.

The Basel Committee on Banking Supervision (the Committee) published guidance to give and assist important role of banks' financial intermediation in the economy, greater sensitivity to potential difficulties due to weak corporate governance and the need to defend deposited funds.

Lata (2014) studied the realities and challenges of nonperforming loans in the banking sector of Bangladesh. Different articles have emphasized on proper credit supervision for

controlling NPLs in banking sector of our country as of late. In recent years, a very common question faced by Bangladesh is her NPLs and this issue has been started to reach out with a wicked example of loan embezzlement among unholy industrial borrowers. Fraud is doubtlessly a red light for bank industry and tragically it has encircled BD's State-owned Commercial Banks (SCB) noticeably. The time has come to figure out its impact on bank's financial performance and take effective actions to tackle it. The study results evidenced higher NPLs as percentage of total loans of SCBs holding more than 50 % of total NPLs of the bank industry over the last 8 years.

Chimkono et al., (2016) observed the significant influences of non-performing loan ratio and several noticeable determinants of Malawi commercial banks' financial performance. The authors showed different ratios such as non-performing loan ratios, cost efficiency ratios, average lending interest rates etc. had distinctive impact on the financial performance of Malawi banks. They showed some variables of cash reserve ratio which were certainly correlated with overall bank performance, but not turned into sizeable.

Bridge (1998) performed a study and showed that almost every bank failure was resulting from non-performing loans. Greater portion of bad debts was inferable to moral hazard. Besides, unfavorable incentives for bank owners to engage in unconcerned lending strategies, particularly in bye lending and high interest rate lending at least secure segments of credit markets were also responsible for frequent NPLs.

Kateregga (2013) viewed that Ugandan commercial banks were still tended to increase their NPLs regardless of maintaining proper credit management guidelines and process which were indicative of mass clients are default on loans.

Haneef and et al., (2011) used secondary data to trace out risk management effect both on NPLs and profitability of Pakistani banking sector. The study revealed that Pakistani banking sector desiderated significant risk management mechanisms which in turn were enlarging the amount of NPLs & threatening banking profitability as well. In order to keep away from NPLs, the study suggested maintaining the suggestions of state bank of Pakistan.

Akter and Roy (2017) conducted a study on listed banks in Dhaka Stock Exchange (DSE) in which the experimental result signified that the proportion of NPLs in the total loans was very excessive and unfortunately it was more than 50% of total non-performing loans which had a statistically significant negative impact on net profit margin of the listed 30 banks over the year from 2008 to 2013.

In one study on 18 scheduled banks over the year 2004 to 2013, Roy et al., (2014) figured out several macro-economic variables (such as GDP growth, inflation and interest spread etc.) & concluded that GDP growth and inflation had terribly and positively influenced the non-performing loan ratio, respectively.

Awuor (2015) in a study observed a frail & immaterial relationship between bank size and NPLs. A unit rise in bank size may lead to a decrease in the level of NPLs, which it is

clarified by economies of scale in bank operations that increasing the size of a bank by one unit can lead to the reduction of the level of non-performing loans.

Fan and Shaffer (2004) said, profitability of major commercial banks is by accounting for non-performing loans. Despite the fact that non-performing loans have an adverse connection with a bank's profitability, although it isn't always quantifiably important.

Majumder (2014) endeavored to track down the cause and effect of NPLs to BD perspective. He narrated two different reasons that were related to entrepreneurs and business respectively. Effects of NPL are such as stoppage of money circulation, reduction in earning, erosion of capital etc. are the traceable outcomes of NPLs which in turn might strengthen loan pricing.

Mahmudur (2012) explained the Basel Capital Accord (Basel-II) as the main source of NPLs as well as the credit crisis.

Wallich (2006) experienced that how pre-election situations had influenced the regulatory side of the financial sector which in turn forced the Government and Bangladesh Bank seem to be under pressure. It became apparent with the unwinding of the regulations formulated by Bangladesh Bank on defaulters getting new loans. This is obviously not an easy-to-operate environment, and explicit steps ought to be taken to keep what is happening from further disintegrating and sabotaging the banking sector.

5. Objectives of the Study

The ultimate objective behind the present study is to critically observe the present status of corporate governance as well as its impacts and practices within the financial sector like banking industry through analyzing scenarios of NPLs of selected public and private commercial banks in Bangladesh.

To serve the primary motive, secondary objectives include the followings:

- i. Estimating and measuring the present performance regarding NPLs of selected banks that would be indicative of the real performance of the individual banks.
- iii. Showing significance relationship among NPL, deposits and loan & advances.
- ii. Recommending suggestion as a set of remedial measures based on the current analysis through logical arguments.

6. Statement of the Problem

Developing & increasing enthusiasm for sound governance in corporation involve numerous remarkable motives. Like any other organization, failure to practice fair corporate governance can result in bank indebtedness as well as loss of confidence in the country's financial

system, and these all are critical & significant to the nation's proper economic advancement to keep pace with the emerging business world. Particularly in Bangladesh, the banking industry has assumed a lively role ensuring sustainable economic growth (having more than 6% GDP) in the last recent couple of decades. So, it is obvious to know and realize which elements extraordinary influence the banking financial performances. Among a wide range of approaches to quantify/measure financial performance, corporate governance is remarkable. Henceforth, the study centers on how corporate governance & banks' (selected Public-Private Commercial Banks operated in Bangladesh) financial performances interact with each other.

7. Methodology of the Study

Nature of Research

In order to serve the ultimate point of the present study i.e. to severely examine the ongoing status of the practices of corporate governance regarding NPLs of the financial sectors in particular banking industry of Bangladesh, authors liked to go for a descriptive discussion after the careful analysis of numerical data of respective banks.

Data Sources

Primarily sources such as annual reports of selected banks, Bangladesh Bank statistics, Dhaka Stock Exchange (DSE) along with various websites, books, journals & research work, newspapers etc. based on which this study has been conducted. Some supportive, qualitative as well as quantitative data and information served as primary sources of information gathered from different levels of selected banks management which were collected through face-to-face conversations.

Sampling

For the present study, we have only considered 12 public-private banks randomly among 61 scheduled banks of Bangladesh.

Data Processing and Interpretation

The collected data has been tested with Microsoft Office (MS Excel) and there are also descriptive discussions made on the analysis.

8. Limitation of the Study

- ❖ As of now, there are 61 Bangladesh scheduled banks [06 state-owned commercial banks, 03 specialized banks, 43 private commercial banks (33 conventional+10 Islami Shariah-based) & 09 foreign commercial banks] operated inside the State. Out of 61 commercial banks here, the present study only considered 12 banks and 07 fiscal years (2012-2018) for the comparative analysis of commercial banks. So, the

paper shows just the pattern of selected commercial banks, yet not the entire reflection of all.

- ❖ Due to time constraints, all the influencing factors of CG practiced by banks have not been considered in this work.
- ❖ As the study has been completed predominantly based on secondary data and information, and by the review of some applicable literary works, it might favor some degrees.

9. Factors Influencing Loan & Advances and accordingly NPLs

Borrowers' Volition Norms: Sometimes it may become difficult for a bank to find and opt the ideal persons or entity to provide loans for which a loan disbursed can be turned into a bad loan. Choosing fallacious debtors is the primitive cause an offered credit turns displeasing. Only financially as well as mentally fit party ought to be selected as borrowers to forestall /minimize the chances of become defaulter and collapse in banking operations. Therefore, at the time of grading & choosing of elite loan applicant, asymmetric information must be dealt with strictly through keeping up legitimate KYC (Know Your Customer).

Interlocution for Partial Sanctions: The loan & advances division may sometimes forward a poorly conversant loan proposition of the borrowing party to higher authority and accordingly an incomplete approval guidance is issued for the client.

Wrong Information from Head Office: As the central bank, Bangladesh Bank (BB) in view of the gathered information from different commercial banks, comprehends significant banking decisions as well as formulates policies accordingly. So, it is the provided statements, at whichever level these are prepared, contain misleading information or banks intentionally try to temper the actual information. BB will surely fail to guide the banks in a desired way. Of course, this custom is deceptive, henceforth infringement of principles and guidelines of banks' governance.

Adulterated Insider Bank Officials: Corrupted bankers hush up liable for financial misrepresentation or tricks. Due to weak CG practices & lack of visible punishment, they may make linkage with the fraud customers in exchange for illegal benefits. It is easy for them since they are probably well-acquainted with financial policies & guidelines very well and how to violate these.

Insufficient/Improper Documentation: Proper documentation must be ensured before loan approval, otherwise the shortage in documentation may create problem throughout the recovery period. Along with this the bank will become incompetent to take legal action for the defaulters only for not keeping proper documents.

Selection of Risky Projects for Investment: To fill up the target for surviving in the competitive market, sometimes banks are found hunting for clients at any cost. Although banks attempt to trace out diverse investment projects to generate healthy returns, they should keep in mind that good returns involve high risk. Putting resources into high hazard tasks could make the beneficial just as looser once in a while.

Diversion of Funds: Funds diversion has become increasingly pivotal now-a-days in Bangladeshi banking sector. The scenario is found different among Islamic and conventional banking systems. Conventional banks put the loan money legitimately into debtors' account, and they are free to draw & use the borrowed fund. For this reason, the funds taken for the productive sectors may be used in the unproductive sectors. Then again, banks that based on Islamic principles, purchase commodities for the debtors in preference to handover the fund straightforwardly, which minimizes the chance of fund diversion. Yet, checking and regulating is additionally required there.

False Mortgage and Personal Guarantee: Without being more careful in evaluating the clients' pledged assets employed to cozy the loan, banks can be at unusual risk. The situation occurred just because of arrangements for the fake property, which is done through a liaising with concerned land authorities, banking lawful counsellor as well as immodest bank officers. Additionally, a careless team for audit is mindful in light of the fact that they now and again neglect such exercises deliberately or inadvertently. Although individual guarantee can be allowed as a way of securing a lower amount of credit, it becomes insufficient and further requires collateral. This is just because personal guarantees seem to be riskier for recovery of default loans.

Providing Additional Benefits to the Client: Now-a-days, it is observed that providing extra benefit to the clients is very common & frequent just because of good relationship with bank officials. Banks should not approve loans beyond the clients' capacity, i.e. not more than their collateral.

L/C Fact: If there should be an occurrence of LC, banks manage papers, not merchandise. The LC amount is to be paid to the exporter by bank on behalf of the importer right when it receives the legal LC papers. Somehow, if the importer fails to reimburse the amount, the bank can vend his mortgaged property. However, the bank mayn't have the option to recuperate everything which was contributed if the collateral is insufficient to secure the LC amount.

Unconscious of Bangladesh Bank Circulars: Commercial banks follows BB's circulars & guidelines to keep themselves protected & less risky as they can. Every bank is required to comply with these circulations, but authorities sometimes are found unconscious of these circulations which in turn posing risk to the bank.

Management and Political influences: Both management and political influences are seen as very common in recent years, whether it is visible or not. The higher bank authorities may

influence the lending process showing nepotism, which really a key reason for higher classified and default loans. Another matter of concern for financial sectors like banking industry is the pressure from political parties/figures having connections with top management.

Lack of Frequent Audits: Although fair & timely auditing is a fundamental tool to uproot misrepresentations and financial scams from the banks it can't be performed properly and regularly due to the management pressure or their corrupted too. As per rules, minimum two audits are mandatory but some banks are found to do it only one time in a year.

9.1 Analysis, Findings & Interpretation Thereon

This part revealed the corporate governance practices in the banking industry of Bangladesh by analyzing & showing the financial affairs performed by banks.

Table-1: Credit Scenarios of Sonali Bank Ltd. (Amount in Million BDT)

Title/Year	2012	2013	2014	2015	2016	2017	2018	Average
Total Deposits (TD)	599294	685895	778043	866012	1031608	1064311	1093866	874147
Total Loans & Advances (TL&A)	378147	343451	337554	346346	384538	423218	464083	382477
% TL&A to TD	63.10	50.07	43.39	39.99	37.28	39.76	42.43	45.15
Classified Loans (CL)	125975	103769	86437	86849	109115	149302	121883	111904
% CL to TL&A	33.31	30.21	25.61	25.08	28.38	35.28	26.26	29.16
% CL to TD	21.02	15.13	11.11	10.03	10.58	14.03	11.14	13.29

Source: Annual Report of SBL (2012-2018) and Authors Self Calculation

Interpretation: The analysis in Table-1 visualized the amount of Total Deposit (TD) of Sonali Bank Ltd. which was increasing year after year but the amount of total Loans & Advances (TL&A) was not increasing accordingly, which showed a mixed trend in the ratio of TL&A to TD during the study period and the highest as well as the lowest ratio found in 2012 and 2016 respectively. With a few exceptions, there was an upward trend in the amount of Classified Loans (CL) and the highest as well as the lowest ratio (CL to TL&A) found in

2017 and 2015 respectively. The above table also showed a mixed trend in the ratio of CL to TD and the highest as well as lowest ratio found in 2012 and 2015 respectively. The average value showed that for each 100 taka of deposits, the amount of loan & advances (TL&A) was 45.15 taka and 13.29 was classified loan as well as for every 100 taka of its loan & advances i.e. investment, there were 29.16 taka of classified loan.

Table-2: Credit Scenarios of Janata Bank Ltd. (Amount in Million BDT)

Title/Year	2012	2013	2014	2015	2016	2017	2018	Average
Total Deposits (TD)	409767	478536	516011	568911	641819	649441	675548	562862
Total Loans & Advances (TL&A)	305340	285748	319773	349861	403037	459580	533707	379578
% TL&A to TD	74.52	59.71	61.97	61.50	62.80	70.77	79.00	67.18
Classified Loans (CL)	53202	31767	37376	43182	59360	75996	179984	68695
% CL to TL&A	17.42	11.12	11.69	12.34	14.73	16.54	33.72	16.79
% CL to TD	12.98	6.64	7.24	7.59	9.25	11.70	26.64	11.72

Source: Annual Report of JBL (2012-2018) and Authors Self Calculation

Interpretation: The above table here blazoned the amount of Total Deposit (TD) of Janata Bank Ltd. which was increasing year after year and except in 2013 the amount of total Loans & Advances (TL&A) was also increasing accordingly that showed almost an upward trend in the ratio of TL&A to TD during the study period while the bank is comparative similar to SBL regarding Classified Load i.e. except in 2013 there was an upward trend in the amount of Classified Loans (CL). The ratios TL&A to TD, CL to TL&A as well as CL to TD of JBL magically showed the highest and the lowest values in 2018 and 2013 respectively. The average value evident that for every 100 taka of JBL's deposit, there were 67.18 taka of loan & advances (TL&A) and 11.72 was classified loan as well as every 100 taka of its loan & advances i.e. investment, there were 16.79 taka of classified loan.

Table-3: Credit Scenarios of Rupali Bank Ltd. (Amount in Million BDT)

Title/Year	2012	2013	2014	2015	2016	2017	2018	Average
Total Deposits (TD)	13660	17796	22166	25383	27912	31972	38955	25406
Total Loans & Advances (TL&A)	9064	10743	12501	14252	17515	20667	24749	15642
% TL&A to TD	66.35	60.37	56.40	56.15	62.75	64.64	63.53	61.46
Classified Loans (CL)	2263	1799	1519	2342	3485	4582	4140	2876
% CL to TL&A	24.97	16.75	12.15	16.43	19.90	22.17	16.73	18.44
% CL to TD	16.57	10.11	6.85	9.23	12.49	14.33	10.63	11.46

Source: Annual Report of RBL (2012-2018) and Authors Self Calculation

Interpretation: It is observed from the table mentioned above that the amount of total Loans & Advances (TL&A) was increasing along with the amount Total Deposit (TD) of Rupali Bank Ltd. year after year but indicating a downtrend in the earliest of the study period in the ratio of TL&A to TD although in the later years (2016-2018) the trend was increasing. The ratios TL&A to TD, CL to TL&A as well as CL to TD of RBL showed the highest value in 2012 and the lowest in 2015 & 2014 respectively. The average value pointed out that for every 100 taka of the bank's deposit, there were 61.46 taka of loan & advances (TL&A) and 11.46 taka was classified loan as well as every 100 taka of its loan & advances i.e. investment, there were 18.44 taka of classified loan.

Table-4: Credit Scenarios of Agrani Bank Ltd. (Amount in Million BDT)

Title/Year	2012	2013	2014	2015	2016	2017	2018	Average
Total Deposits (TD)	29243	34868	38392	43998	49405	53035	62193	44448
Total Loans & Advances (TL&A)	21266	20297	23509	24480	26587	31912	39575	26804
% TL&A to TD	72.72	58.21	61.23	55.64	53.81	60.17	63.63	60.77
Classified Loans (CL)	5380	3580	3966	4640	6804	5570	6993	5276
% CL to TL&A	25.30	17.64	16.87	18.95	25.59	17.45	17.67	19.92
% CL to TD	18.40	10.27	10.33	10.55	13.77	10.50	11.24	12.15

Source: Annual Report of AGL (2012-2018) and Authors Self Calculation

Interpretation: It is noticed from the upper table that except only in 2013 the amount of Total Loans & Advances (TL&A) was increasing along with the amount Total Deposits (TD) of Agrani Bank Ltd. year after year but there was a mixed trend in the ratio of TL&A to TD during the study period, and the highest as well as the lowest ratio got in 2012 and 2016, respectively, like SBL. There was also a mixed trend in the amount of Classified Loans (CL) which resulted in the ratio of CL to TL&A (H: 2016, L: 2014) and CL to TD (H: 2012, L: 2013) in the same way. The average value showed that for every 100 taka of its deposit, there were 60.77 taka of loans & advances (TL&A) and 12.15 taka was classified loan while every 100 taka of its loan & advances i.e. investment, there was 19.92 taka of classified loan.

Table-5: Credit Scenarios of BASIC Bank Ltd. (Amount in Million BDT)

Title/Year	2012	2013	2014	2015	2016	2017	2018	Average
Total Deposits (TD)	87693	134493	139934	148167	158070	143180	131822	134766
Total Loans & Advances (TL&A)	85956	109428	119385	128807	134883	145569	151968	125142
% TL&A to TD	98.02	81.36	85.32	86.93	85.33	101.67	115.28	93.42
Classified Loans (CL)	7066	31455	51091	65813	73007	79530	86398	56337
% CL to TL&A	8.22	28.74	42.80	51.09	54.13	54.63	56.85	42.35
% CL to TD	8.06	23.39	36.51	44.42	46.19	55.55	65.54	39.95

Source: Annual Report of BASIC Bank Ltd. (2012-2018) and Authors Self Calculation

Interpretation: It is seen from the table given above that the amount of Total Loans & Advances (TL&A) of BASIC Bank Ltd. was increasing along with the amount Total Deposits (TD) except in 2017 & 2018 which shown a mixed trend in the ratio of TL&A to TD during the study period and the highest as well as the lowest ratio got in 2018 and 2013 respectively. There was an upward trend in the amount of Classified Loans (CL) which resulted both in the ratio of CL to TL&A and CL to TD (H: 2018, L: 2012). The average value depicted that for each 100 taka of deposits, the amount of loan & advances (TL&A) was 93.42 taka and 39.95 taka was classified loan while for every 100 taka of its loan & advances i.e. investment, there were 42.35 taka of classified loan.

Table-6: Bangladesh Krishi Bank (Amount in Million BDT)

Title/Year	2012	2013	2014	2015	2016	2017	2018	Average
Total Deposits (TD)	14384	15310	17658	19743	21068	22625	24070	19265
Total Loans & Advances (TL&A)	14930	15421	17318	17996	18642	19367	20025	17671
% TL&A to TD	103.80	100.73	98.07	91.15	88.48	85.60	83.19	93.00
Classified Loans (CL)	4027	4747	4563	4310	4841	4316	3935	4391
% CL to TL&A	26.97	30.78	26.35	23.95	25.97	22.29	19.65	25.14
% CL to TD	28.00	31.01	25.84	21.83	22.98	19.08	16.35	23.58

Source: Annual Report of BKB (2012-2018) and Authors Self Calculation

Interpretation: It is visible from the above table that both the amount of Total Loans & Advances (TL&A) and Total Deposits (TD) of BKB was increasing but the trend in the ratio of TL&A to TD was declining at some point of the time frame under review. The amount of Classified Loans (CL) involved a blended pattern. The ratios TL&A to TD, CL to TL&A as well as CL to TD of BKB displayed the highest value in 2012 & 2013 and the lowest for all in 2018 respectively. The average value exhibited that for every 100 taka of the bank's deposit, there were 93.00 (almost similar to BASIC Bank) taka of loan & advances (TL&A) and 23.58 taka was classified loan as well as for every 100 taka of its loan & advances i.e. investment, there were 25.14 taka of classified loan.

Table-7: Credit Scenarios of United Commercial Bank Ltd. (Amount in Million BDT)

Title/Year	2012	2013	2014	2015	2016	2017	2018	Average
Total Deposits (TD)	170531	184897	211072	220866	257704	278195	297173	231491
Total Loans & Advances (TL&A)	136072	148665	174146	197414	223697	261003	294672	205096
% TL&A to TD	79.79	80.40	82.51	89.38	86.80	93.82	99.16	87.41
Classified Loans (CL)	5016	5985	8050	10325	17921	19268	20022	12370
% CL to TL&A	3.69	4.03	4.62	5.23	8.01	7.38	6.79	5.68
% CL to TD	2.94	3.24	3.81	4.67	6.95	6.93	6.74	5.04

Source: Annual Report of UCBL (2012-2018) and Authors Self Calculation

Interpretation: It is pronounced from the table here that with the increases in the amount of Total Deposits (TD) and Total Loans & Advances (TL&A), there was an upward trend noticed in the amount of Classified Loans (CL) of UCBL during the study period. The ratios TL&A to TD, CL to TL&A as well as CL to TD of UCBL apparent the highest value in 2018 & 2016 and the lowest for all in 2012 respectively. The average value noted that for each 100 taka of deposits, the amount of loan & advances (TL&A) was 87.41 taka and 5.04 taka was classified loan while for every 100 taka of its loan & advances i.e. investment, there were 5.68 taka of classified loan.

Table-8: Credit Scenarios of Dhaka Bank Ltd. (Amount in Million BDT)

Title/Year	2012	2013	2014	2015	2016	2017	2018	Average
Total Deposits (TD)	107427	115981	124854	139068	157162	170035	197189	144531
Total Loans & Advances (TL&A)	90140	99596	103132	117840	134689	154017	180626	125720
% TL&A to TD	83.91	85.87	82.60	84.74	85.70	90.58	91.60	86.43
Classified Loans (CL)	5656	4137	5657	5491	5403	9209	9009	6366
% CL to TL&A	6.27	4.15	5.49	4.66	4.01	5.98	4.99	5.08
% CL to TD	5.26	3.57	4.53	3.95	3.44	5.42	4.57	4.39

Source: Annual Report of DBL (2012-2018) and Authors Self Calculation

Interpretation: It is said from the above-mentioned table that although there was a mixed trend found in the amount of Classified Loans (CL) of DBL, the amount of Total Deposits (TD) and Total Loans & Advances (TL&A) both were increasing during the study period. The ratio TL&A to TD showed the most noteworthy and most reduced esteem in 2018 & 2014, CL to TL&A as well as CL to TD of DBL asserted the highest and the lowest value in 2012 and 2016 step wisely. The average value pointed that for each 100 taka of deposits, the amount of loan & advances (TL&A) was 86.43 taka and 4.39 taka was classified loan and in the meantime for every 100 taka of its loan & advances i.e. investment, there were 5.08 taka of classified loan.

Table-9: Credit Scenarios of AB Bank Ltd. (Amount in Million BDT)

Title/Year	2012	2013	2014	2015	2016	2017	2018	Average
Total Deposits (TD)	140026	161846	198189	213819	245641	235954	235445	204417
Total Loans & Advances (TL&A)	106066	140121	177571	209725	218769	229647	241070	188996
% TL&A to TD	75.75	86.58	89.60	98.09	89.06	97.33	102.39	91.26
Classified Loans (CL)	3522	4720	6856	6619	11365	16409	79728	18460
% CL to TL&A	3.32	3.37	3.86	3.16	5.19	7.15	33.07	8.45
% CL to TD	2.52	2.92	3.46	3.10	4.63	6.95	33.86	8.20

Source: Annual Report of ABBL (2012-2018) and Authors Self Calculation

Interpretation: The above table here showed that although ABBL's amount of Total Loans & Advances (TL&A) was increasing, the amount of Total Deposits (TD) as well as Classified Loans (CL) showed a mixed trend during the study period. The highest point for every ratio found in 2018 and the lowest point found in 2012, 2015 and 2012 respectively (similar to DBL). The average value pointed out that for every 100 taka of the bank's deposit, there were 91.26 taka of loan & advances (TL&A) and 8.20 taka were classified loan while for every 100 taka of its loan & advances i.e. investment, there were 8.45 taka of classified loan.

Table-10: Credit Scenarios of First Security Islami Bank Ltd. (Amount in Million BDT)

Title/Year	2012	2013	2014	2015	2016	2017	2018	Average
Total Deposits (TD)	109906	139521	182512	231274	274253	299121	320021	222373
Total Loans & Advances (TL&A)	96304	114601	152792	187680	226065	273593	311685	194674
% TL&A to TD	87.62	82.14	83.72	81.15	82.43	91.47	97.40	86.56
Classified Loans (CL)	1785	2484	3397	5187	5839	8398	10421	5359
% CL to TL&A	1.85	2.17	2.22	2.76	2.58	3.07	3.34	2.57
% CL to TD	1.62	1.78	1.86	2.24	2.13	2.81	3.26	2.24

Source: Annual Report of FSIBL (2012-2018) and Authors Self Calculation

Interpretation: It is uttered from the table above that all the amount of Total Deposits (TD), Total Loans & Advances (TL&A) as well as Classified Loans (CL) of FSIBL showed a vertical pattern throughout the time frame under review. The best point for every ratio found in 2018 and the lowest point found in 2015 and 2012 respectively. The average value depicted that for each 100 taka of deposits, 86.56 taka were classified as loan & advances (TL&A) and 2.24 taka were classified loan as well as for every 100 taka of its loan & advances i.e. investment, there were 2.57 taka of classified loan.

Table-11: Credit Scenarios of Shahjalal Islami Bank Ltd. (Amount in Million BDT)

Title/Year	2012	2013	2014	2015	2016	2017	2018	Average
Total Deposits (TD)	102177	96481	98601	109259	124410	146348	176862	122020
Total Loans & Advances (TL&A)	96185	85707	84062	96835	122998	158668	186090	118649
% TL&A to TD	94.14	88.83	85.25	88.63	98.87	108.42	105.22	95.62
Classified Loans (CL)	2842	5543	6612	6261	5782	6301	12723	6581
% CL to TL&A	2.95	6.47	7.87	6.47	4.70	3.97	6.84	5.61
% CL to TD	2.78	5.75	6.71	5.73	4.65	4.31	7.19	5.30

Source: Annual Report of SJIBL (2012-2018) and Authors Self Calculation

Interpretation: It is in evidence from the table mentioned above that there was a mixed trend in all the amount of Total Deposits (TD), Total Loan & Advances (TL&A) as well as Classified Loans (CL) of SJIBL during the study period. The highest & the lowest point for TL&A to TD got in 2017 & 2014 while the highest point for CL to TL&A and CL to TD found in 2014 and 2018 respectively; in the meantime, the lowest point for both CL to TL&A and CL to TD found in 2012. The average value stated that for every 100 taka of the bank's deposit, there were 95.62 taka of loan & advances (TL&A) and 5.30 taka were classified loan and in meantime for every 100 taka of its loan & advances i.e. investment, there were 5.61 taka of classified loan.

Table-12: Credit Scenarios of Islami Bank Bangladesh Ltd. (Amount in Million BDT)

Title/Year	2012	2013	2014	2015	2016	2017	2018	Average
Total Deposits (TD)	417844	473141	560696	615359	681352	755022	822573	617998
Total Loans & Advances (TL&A)	372921	403195	463475	530195	616419	710729	805760	557528
% TL&A to TD	89.25	85.22	82.66	86.16	90.47	94.13	97.96	89.41
Classified Loans (CL)	14213	14942	22807	22541	23602	25519	33169	22399
% CL to TL&A	3.81	3.71	4.92	4.25	3.83	3.59	4.12	4.03
% CL to TD	3.40	3.16	4.07	3.66	3.46	3.38	4.03	3.59

Source: Annual Report of IBBL (2012-2018) and Authors Self Calculation

Interpretation: It is seen from the above table that there was a mixed trend in the amount of total Classified Loans (CL) of IBBL although Total Deposits (TD) and Total Loan & Advances (TL&A) both were on an increasing trend during the study period. The highest & the lowest point for TL&A to TD got in 2018 & 2014 while the highest point for CL to TL&A and CL to TD found in 2014; in the meantime, the lowest point for both CL to TL&A and CL to TD found in 2017 & 2013 respectively. The average value showed that for every 100 taka of the bank's deposit, there were 89.41 taka of loan & advances (TL&A) and 3.59 taka were classified loan while for every 100 taka of its loan & advances i.e. investment, there were 4.03 taka of classified loan.

Table-13: Average Value of % TL&A to TD (Comparison: Public Vs. Private Banks)

Sl. No.	Public Bank	Average Value of % TL&A to TD	Private Bank	Average Value of % TL&A to TD
1	Sonali Bank Ltd.	45.15	United Commercial Bank Ltd.	87.41
2	Janata Bank Ltd.	67.18	Dhaka Bank Ltd.	86.43
3	Rupali Bank Ltd.	61.46	AB Bank Ltd.	91.26
4	Agrani Bank Ltd.	60.77	First Security Islami Bank Ltd.	86.56
5	BASIC Bank Ltd.	93.42	Shahjalal Islami Bank Ltd.	95.62
6	Bangladesh Krishi Bank	93.00	Islami Bank Bangladesh Ltd.	89.41
	Average	70.16	Average	89.45

Source: Authors' Self Calculation

Interpretation on Average Value: The above table shows the average ratio value that was computed on two groups- Public Banks and Private Banks. It is in evidence from the above table that the average ratio value of TL&A to TD of Private Banks exceeded that for Public Banks in the course of the considered time frame (2012-2018). It is observed that for every 100 taka collected as deposits by Private Banks there were only 89.45 taka of loan & advances while 70.16 taka of loan & advances if it is collected by Public Banks.

Table-14: Average Value of % CL to TL&A (Comparison: Public Vs. Private Banks)

Sl. No.	Public Bank	Average Value of % CL to TL & A	Private Bank	Average Value of % CL to TL & A
1	Sonali Bank Ltd.	29.16	United Commercial Bank Ltd.	5.68
2	Janata Bank Ltd.	16.79	Dhaka Bank Ltd.	5.08
3	Rupali Bank Ltd.	18.44	AB Bank Ltd.	8.45
4	Agrani Bank Ltd.	19.92	First Security Islami Bank Ltd.	2.57
5	BASIC Bank Ltd.	42.35	Shahjalal Islami Bank Ltd.	5.61
6	Bangladesh Krishi Bank	25.14	Islami Bank Bangladesh Ltd.	4.03
	Average	25.30	Average	5.24

Source: Authors' Self Calculation

Interpretation on Average Value: Table mentioned above displayed the average ratio value that was computed on two groups- Public Banks and Private Banks. It is depicted from the above table that the average ratio value of CL to TL&A of Public Banks was five times more than the Private Banks during the study period (2012-2018). It is seen that for every 100 taka invested as loan & advances (TL&A) i.e. investment made by Public Banks there were 25.30 taka of classified loan while only 5.24 taka of classified loan if it is made by Private Banks.

Table-15: Average Value of % CL to TD (Comparison: Public Vs. Private Banks)

Sl. No.	Public Bank	Average Value of % CL to TD	Private Bank	Average Value of % CL to TD
1	Sonali Bank Ltd.	13.29	United Commercial Bank Ltd.	5.04
2	Janata Bank Ltd.	11.72	Dhaka Bank Ltd.	4.39
3	Rupali Bank Ltd.	11.46	AB Bank Ltd.	8.20
4	Agrani Bank Ltd.	12.15	First Security Islami Bank Ltd.	2.24
5	BASIC Bank Ltd.	39.95	Shahjalal Islami Bank Ltd.	5.30
6	Bangladesh Krishi Bank	23.58	Islami Bank Bangladesh Ltd.	3.59
	Average	18.69	Average	4.79

Source: Authors' Self Calculation

Interpretation on Average Value: Above mentioned table shows the average ratio value that was computed on two groups- Public Banks and Private Banks. It is evident from the above table that the average ratio value of CL to TD of Private Banks was more than four times less than the Public Banks during the study period (2012-2018). It is found that for every 100 taka collected as deposits by Private Banks there were only 4.79 taka of classified loan while 18.69 taka of classified loan if it is done by Public Banks.

10. Recommendations

Some significant recommendations have been drawn based on the analysis of financial affairs & findings of the study. They are:

- i. To ensure that credits don't turn bad and NPLs don't gather in any case, corporate governance ought to be fortified as well as careful and tactful lending decisions.
- ii. General expectant is that credit is based solely on business & industrial contemplation without managerial or politic impacts.
- iii. Meaningful & ideal endeavors are to be expected to make sure the recoupment of loans.
- iv. Loan and advances should not be provided exceeding borrowers' reimbursement ability as well as without satisfactory & sufficient collateral. Also, banks should approve loan only after conducting proper credit analysis.
- v. In line with banks' lending policies, it is a must maintain certain loan limits for particular type of loan and concerned officers shouldn't go that restriction.
- vi. Banks should be strict to prevent fund diversion at any cost as well as avoid the heavy risky projects whatever the profit size from that projects, and of course this step will be helpful in reducing non-performing loans.
- vii. Authorities ought to ensure the forums of directors be made out of skillful experts, not just for govt. /political reasons.
- viii. To initiate quickly a strong NPL management system furnished along with both precautions and solutions.
- ix. To fortify the regulatory and tracking functions of Bangladesh Bank as well as train of unscrupulous banks on regular basis.
- x. Finally, to put accentuation on moral guidelines for financial professionals in all fields.
- xi. To stimulate cooperation, transparency and responsibility among all the officials must be maintained to order to keep the reconciliation process active and expedient.
- xii. To investigate anomalies in the sector, the government should plan to set up special audits for banks.

- xiii. Expansionary monetary policy should be maintained properly to reduce the relative size of bad loan.
- xiv. Impartial pledges' pricing by adroit professional body having globally accepted procedures may moderate the risk of loan defaults.
- xv. Financial institutions need to strengthen loaning train and smooth out the recuperation cycle to guarantee that NPLs don't accumulate.

11. Conclusion

The banking industry of Bangladesh is dominated both by public as well as private banks and all of which are monitored by the central bank (BB). In Bangladesh, sound profitability and growth of banks made this industry more significant and competitive as well, which simply presenting the increasing trend. As a result of the analysis, it can be concluded as the pursuance and sustainability of Bangladeshi banks are considerably/severely influenced by the practices of corporate governance. Since the banking sector is the depiction of entire national economy attributable to its linkage with every other area, any shortfall or inconsistency in it would break the country's development process as well as stimulate difficulties certainly in the long time and that is why this sector must be operated with utmost efficiency and good faith where continuous up gradation and application of fair corporate governance practices can contribute a lot. The increasing size of NPLs is an alarming issue for the country. Banks assume a significant role for a growing economy like Bangladesh. It is evident from the present study that the average classified loans (CL) against total loan & advances (TL&A) as well as total deposits (TD) are comparatively high in public banks than private commercial banks which means practices of corporate governance are not same in both types of banks. The study also showed that in against of total deposits (TD) sometimes private banks break their lending principles and provide loans (TL&A) at higher rates. It must be kept in mind that breaking of the lending principles will negatively affect the existing banking operations & the economic smoothness.

As the biggest stuff of economic space, banks have to function at their peak in order to aid in the state's economic growth. Since there is a theorized positive relationship between corporate governance and financial growth, the implications of good corporate governance in the banking sector are more significant (OECD, 2004). The nation's current financial development has been in jeopardy for a while now due to the absence of proper application of corporate governance in such a significant area.

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