

A STUDY ON THE EFFECTIVENESS OF CORPORATE GOVERNANCE ON THE CREDIT RISK MANAGEMENT OF COMMERCIAL BANKS: EVIDENCE FROM MALDIVES*

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Abstract. The specific monetary field from your Maldives will be centered by way of a financial field, gathering 62% through the counts property in the economic industry. In addition nearly all their own economical field will be held simply by internet mortgages. Therefore it is advisable to study the way the banking institutions might handle their particular home loan profile reducing the specific contact with credit score risk. This particular research investigates the potency of business governance around the credit rating risk management of economic financial institution inside Maldives, addressing a period associated with 10 years through 08 to be able to 2017. This specific papers utilizes several regression design to look at the bond among company governance aspects plus credit rating risk management regarding financial institutions. To get the particular objectives, this particular examine integrated Business Governance elements, the particular table dimensions, panel structure, along with the scale credit standing danger panel, while come back upon source utilized like an overall performance indication. The actual scientific evaluation indicated that typically the formula from plank involving company directors as well as the dimension from your credit score chance screen does not have any substantial effect on the particular administration related to credit rating threat. Aside from, the dimensions of typically the Table in addition to go back on resource had been found out to become considerable.

Keywords: Board Composition, Credit Risk Committee, Board size, Return on Asset and Non-Performing Loans

INTRODUCTION

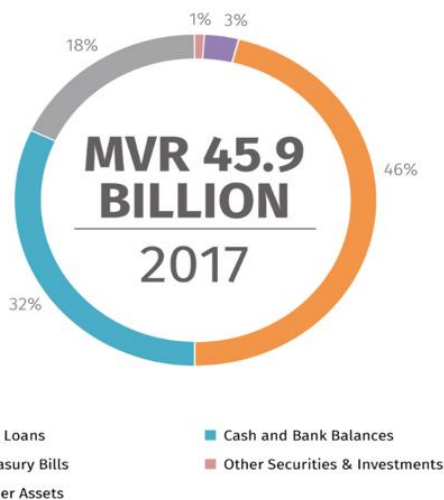
The specific Financial field related to any kind of economic climate functions being an intermediary in addition performs the obviously various part in comparison to some other industries. The actual monetary industry connected with Maldives will be centered by way of a financial system, gathering 62% from your complete property through the economic market (Rashfa, 2016). These people work as an unique deriver inside the financial progress area simply by intermediating cash through investors to be able to debtors by means of funding (Ahmad, ainsi que ing., 2016). This really is obvious coming from determine one one which usually exposed that will internet mortgages control the web source structure from the economical field associated with Maldives by simply 46%. Correspondingly, these types of lending's are often given let's assume that the specific financial clients will certainly pay back in late the particular quantified period (Nyor and Mejabi, 2013). Nevertheless, in several conditions this kind of financial loans remain uncollectible, with no a lot more produces earnings for that banking institutions therefore beginning typically the increase linked to credit score danger.

* Received: Feb 17, 2022; Accepted: MAY 21, 2022

FIGURE 2.1: Net asset composition of the Banking industry- 31st December 2017

Source: (Anon., n.d.)

Depending on Wooden and Skinner (2018), using the starting point of worldwide financial crisis the particular credit score top quality of economic financial field experienced made worse substantially, plus nonperforming mortgages increasing through 2nd. 9% within three years back in order to twelve. 9% this year. Simultaneously, following an effect from the problems, Financial institution associated with Maldives furthermore confronted large tension within their home loan profile along with major reduced property (faster than ninety days previous due) boomed to epic proportions coming from less than 2% in the mortgage loan collection since December 3 years ago, to be able to 25% with the mortgage user profile by dec the year 2010 because demonstrated inside determine one 2 (CARE Rankings Maldives, 2010). From this, close to 74% on the low damaged property have

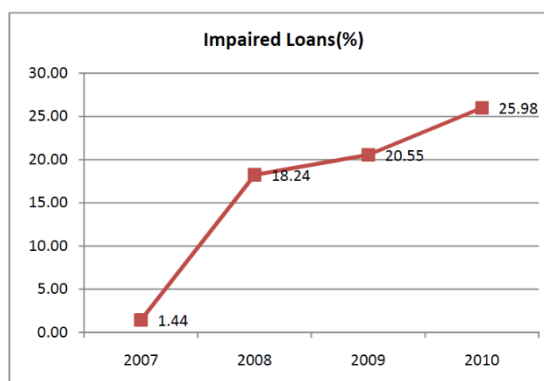


been classified since decrease resources (outstanding to get more compared to fish hunter 360 days). The entire attention earnings regarding BML was in MVR 582 mil this year, which often refelected the decrease involving 11% in the direction of this year (BML, 2011). Therefore, the effectiveness of controlling credit rating danger has brought huge concentrate within the last many years, with all the presence associated with insufficient risikomanagement methods in addition to guidelines inside the Financial sectors internationally (Onuko ainsique ing., 2015). According to experts, Kolapo ou 's. (2012); Isanzu (2017); Adhikary (2017) and even Almekhlafi ain approach. (2016) from your numerous chance financial institutions find throughout their procedures, credit rating threat that is brought on by the presence of nonperforming financial loans, is among the most significant together with severe risks towards the overall performance related to banking institutions. Specifically due to the fact that will nonperforming loan products possess led to typically the depleting money plus deterioration from your monetary power connected with financial institutions (Sahu tout autant que way, 2017). Consequently, it is very important determine exactly how credit score dangers linked to banking companies could be handled efficiently, to prevent ideal feasible deficits.

FIGURE 1.2: Impaired loan percentage of BML (2007-2010)

Source: (CARE Ratings Maldives, 2010)

Company governance is a crucial system that will plays a role in the entire procedures from your banking institutions, particularly in the risikomanagement. Nancy ainsique ing. (2016) stressed which will, poor Business Governance will be a key component inside lowering economic system, the financial institutions plus banking institutions vulnerable to excellent reduction as well. It is therefore crucial to determine the potency of business governance within the credit score risikomanagement associated with financial institutions. This specific research views aspects like table framework, panel dimension, credit rating danger panel dimensions in addition to come back on resource in order to seriously study the potency of company governance inside the risikomanagement regarding banking companies.



Depending on Lotfi and Malgharni (2013) plus L as well as Ravi (2017), the particular assumptive ideas associated with Business Governance in addition to risikomanagement, indicates that this dimension in addition structure from the table regarding company directors are essential components that will assimialte with each

other. The particular experts discovered the presence of enormous panel improved the capability related to banking institutions to handle risks, indicating that whenever much more company directors carried out around the table, this enhanced the power in the plank to control watching on the function with the management more proficiently whilst that makes all of them responsible. However, Khatun and Ghosh, 2019 and even Uwuigbe together with Fakile (2012) contended of which financial institutions together with big panel dimensions produced a lot more nonperforming financial loans, plus big planks are much less effective in comparison to lesser planks. Based on Abiola as well as Olausi (2014); Boahene ainsi que ing. (2012) in addition to Jeniffer (2014) come back on property and even credit rating danger a new good partnership, while Ruziqa (2013); Tafri ainsi que ing. (2009); Sunshine and Alter (2018) together with Li as well as Zou (2014) found out an adverse substantial partnership.

In addition, Matanda ou 's. (2015); The month of January as well as Sangami (2016); Magembe ou 's. (2017) plus Ahmad ain approach. (2016) contended that each table ought to hit a good balance involving professional additionally non- exec company directors, in order to efficiently handle dangers. Typically the scientists identified that the balance associated with business and also non- management owners might boost the usefulness on the plank to be able to typically the supervisors. Aside from, Increased (2017), found that elevated nonexecutive company directors are usually associated with the particular increased credit standing chance presented from the debtors of this lender. In addition, Nyor in addition to Mejabi (2013), pointed out that will Company Governance factors like panel sizing and even plank formula could hardly become depended onto solve the issue regarding nonperforming loan products. The particular determinants involving business governance provides a concept with regard to uses how you can find owners within the finest attention of your loan company although adding to the danger administration belonging to the financial institutions. Murshed and Saadat (2018), found how the problem connected with nonperforming financial loans offers increased within The southern part of Parts of Asia for example Bangladesh, Indian, together with Pakistan. Correspondingly, a comprehensive amount of research offers analysed the problem inside Africa nations for instance Nigeria, where bad governance has been recognized as an important element which has brought on monetary stress inside Nigeria (Nyor plus Mejabi, 2013; Angahar as well as Mejabi, 2014). Therefore, because of the not as yet confirmed outcomes available on Maldives this provides the necessity to determine typically the part linked to company governance inside the credit score risikomanagement related to banking companies throughout Maldives.

LITERATURE REVIEW

Credit rating danger functions a vital component within the overall performance associated with banking institutions, like a huge part of bank's earnings are usually acquired from your attention charged around the credit score services (Almekhlafi ainsi que ing., 2016). Nwude plus Okeke (2018) pressured that will credit rating risk is really a severe danger towards the overall performance related to financial institutions in addition to credit rating risikomanagement offers an obvious and even organized way of determine, determine in addition prioritize dangers, in order to get suitable actions to reduce the particular deficits. Nyong'o, (2014) explained credit score risikomanagement like an organized strategy inside controlling questions via chance evaluation, building techniques, together with reason these the usage of bureaucratic sources. Furthermore, Ifthikhar (2016) examined the web link among credit rating risikomanagement plus monetary efficiency of economic banking companies within just Pakistan in addition to pointed out that this administration connected with credit score threat presents an optimistic impact on the specific efficiency of economic organizations. The particular specialist used the regression style in the research as well as discovered the common economic functionality through the finance institutions can boost as much as 21% together with effective credit rating risikomanagement methods.

Whilst, numerous correctly already been carried out to recognize typically the part regarding business governance within the credit score risikomanagement involving bankers, The month of January and Sangmi (2016) outlined how the table associated with company directors assist in Business Governance by simply supervisory the particular expert supervision, whilst generating tactical choices for that organization. Therefore, mentioned of which table framework is really a vital facet of lenders, to comprehend the ability of the planks to supply upon numerous guidelines that may enhance the functionality, consequently panels ought to achieve a balance linked to professional and even non- exec owners every panel should think about the scale, variety, additionally demographics to be able to successful. Tener as well as Bino (2012), that in addition analyzed typically the function regarding company governance inside the Jordanian Monetary Business says will certainly plank structure a brand new solid effect on the financial institution effectiveness. Based on the experts, in case 1 film movie director from the aboard keeps twenty percent or even higher quantity stocks in the financial institution, that will film overseer works in a manner that he or she is handling personal cash resulting in boost the overall performance lender.

An additional examine simply by Increased (2017), discovered the actual relationship between top features of Company Governance as well as the publicity related to credit rating danger. The study analysed the particular framework in the mother board in outlined loan providers inside of Denmark before the financial crisis, to distinguish regardless of whether poor Corporate and business Governance constructions led to extreme credit standing getting. In line with the outcomes, this found that a greater quantity of within company directors reduced typically the financial institutions chance direct exposure, simply because they decreased exposures to be able to big clients and also financial loans for the real-estate field. The research additional mentioned that the improved the amount of business owners produces a more powerful “checks together with balance” system. Agoraki ou 's. (2009), mentioned that this metabolic rate involving panel dimension plus framework is among the most important component of corporate and business governance. The specific experts analysed this connection involving the construction with the table along with the efficiency associated with banking companies. The research has been put on several huge Western loan companies of which managed throughout 2002-2006. In line with the results on the study, the particular within the quantity of non-independent administrators lower cost effectiveness, aside from that improved the specific performance regarding earnings. Therefore, based on Agoraki ain ing. (2009), the presence of a lot more quantity of nonexecutive film fans features an unfavorable organization using the income productivity connected with companies.

Additionally, Ahmad tout autant que, 's (2016), found out an adverse partnership using the self-reliance from panel in addition to nonperforming loan products. Typically the professional explained the fact that framework involving impartial administrators for the table does not need any kind of immediate or perhaps roundabout connection with all the lender. Hence, they cannot carry out limited checking from your shores that could ultimately slow up the nonperforming mortgages (Ahmad au même tire que ing., 2016). Pathan (2010), utilized screen info associated with 122 big Oughout. H loan company keeping businesses a lot more than 1997-2004 and even found out an unhealthy romantic relationship among plank freedom furthermore functionality of this mortgage lenders. In addition, Pathan (2010), anxious which the self-sufficiency of your table will never boost the general highlights of typically the financial, due to the fact the majority of the self-employed company directors are selected with regard to corporate compliance.

Based on Zabri, de plus approach. (2016), aboard sizing among various nations diverse, because each tradition of each nation varies, therefore observed which will simply no ideal in addition regular mother board dimensions is present amongst companies on the planet. Simply by analyzing the organization Governance methods top among the one hundred general public detailed organizations within Bursa Malaysia, the particular investigator exposed that dimensions through the table plus the organization overall performance will be considerable together with favorably connected. Ahmad de surcroît 's. (2016), investigated the consequence of typically the panel dimensions in the nonperforming lending options belonging to the mortgage lenders inside Pakistan, between the season regarding 1996-2007. The actual scientists empirically thought plank measurement substantially affected the particular nonperforming financial loans within the financial institutions inside Pakistan. Using the specialist, bigger cedar planks are usually productive in a fashion that this plays a role in varied ideas. However, it truly is hard to obtain a general opinion involving greater cedar planks (Ahmad ainsiq ue ing., 2016).

An additional analysis by simply Johl ainsi que way. (2015), discovered you will for the plank, simply by examining seven-hundred open public shown firms throughout Malaysia for your 12 months this year. In line with the analyze, organizations in addition to much larger aboard sizing possess beneficial ramifications over the company's overall performance. Additional, Uadiale (2010), examined the result on business economical efficiency within Nigeria, from your mother board construction. The investigation applied table aspect, panel formula, table possession, plus BEST CANINE mix and match since impartial factors. As a result, the outcome from the exploration remarked that the type in the plank includes a good relationship along with company fiscal effectiveness. Opposition the above mentioned conclusions, Shakir (2008), verified that may aboard dimension a fresh constant unfavorable partnership together with overall performance, as well as additional it is expensive with regard to companies to maintain a lot of movie fans. Using the review, it had been bothersome to keep normal meetings, preparing, and performance dexterity, and also producing selections having a bigger panel, has been identified difficult.

Uwuigbe and Fakile (2012), performed study inside Nigerian outlined mortgage brokers, evaluating the consequence of numerous users around the mother board in order to effect typically the efficiency linked to banking institutions. The analysis uncovered a good undesirable connection in between table measurement in addition to traditional bank monetary functionality. Based on the researching that will large cedar planks are much less useful in comparison to smaller sized boards, since the growing amount of panel director's raises company issues. In addition, Angahar as well as Mejabi (2014) furthermore discovered plank sizing does not need the to decrease the actual nonperforming mortgage.

Depending on Crouhy, de même que 's. (2006), the particular credit history threat panel in the financial institution is basically accountable for individually analyzing this recognition, dimension, additionally managing associated with credit worthiness, along with other hazards that could occur within the plan. Yatim (2009), made the decision of which risikomanagement related to companies is targeted much more from the committees from aboard, and even investigated the connection together with the progress risikomanagement -panel together with composition connected with mother board posted companies throughout Malaysia. A complete regarding 690 organizations for that monetary 12 months until the year 2003 have been one of them homework, and also the speculation was created good proven fact that risikomanagement committees had been founded merely by planks to convey their own dedication within conditioning Business Governance and also inner manage approach to typically the businesses. Employing a several regression design and style, the particular studies from your analysis backed the specific organization of the risikomanagement panel plus described it helps you to decrease economic, functional, furthermore reputational dangers.

Kakanda ainsi que ing. (2017), looked at the result the functions with the risikomanagement section about stated economic support organizations within just Nigeria for your period of time involving 2012-2016. The study located a substantial nevertheless bad influence on the actual effectiveness, consequently, suggested that will danger committees must be composed of a far more affordable amount of users because of the damaging influence on typically the overall performance. According to Ng ou ing. (2013), a new risikomanagement panel is a crucial pressure regarding risk oversight along with the internal handle program. Eggleston and Ware (2009), likewise recommended the fact that the effective chance board allows the particular plank to be able to foresee in addition respond to enhance table oversight associated with management in order to occasions as well as styles that may otherwise become inscrutable. Nonetheless, known of which banking companies ought to concentrate on controlling hazards like structured in addition to existential threat, in fact it is essential for this table to spot the need to determine some sort of credit score solar panel, as it could produce hazard to the business. This specific declaration has been more the result of saying that particular dangers are often handled by simply some other committees for example Evaluation panel; nevertheless, the specific development of the completely new threat panel can lead to doubt concerning the functions and even required the actual committees. Consequently, this type of misunderstandings can result in faltering regarding owning a particular group of danger totally.

Like research linked to Eggleston as well as Ware (2009), a written report by just PWC (2017), determined that your presence related to chance committees may result in double confirming from the managing, or even increases the requirement to carry regular conferences to examine similar obligations showing up inside the events of every committees. Therefore, the study figured actually without having developing a different risk panel, panels may efficiently supervise threat. The particular statement additional pointed out it does not matter which often design on the panel keeps better to watch over the danger, panel thoughts in risikomanagement could be an a part of essential hazard conversations in the plank. In addition, Hines (2012) analyzed typically the determinants together with results connected with creating risikomanagement committees inside banking additionally mentioned that will mortgage lenders subjected to high-risk have to type risikomanagement committees. Nevertheless, it absolutely was observed that this creation linked to threat committees does not need any kind of marriage while using modify throughout nonperforming loans. In accordance with Aebi ou 's. (2012), risk panel should fulfill regularly to generate a considerable outcome plus consider all those required steps.

Moreover, Jeniffer (2014), examined the effect related to risikomanagement to the monetary efficiency involving forty-four car loan companies for any details gathered through 2008-2013 within Kenya. Through the use of ROA because the functionality indication in addition to nonperforming loan products as a means associated with calculating economical danger, it absolutely was observed of which ROA and even credit rating risk are usually absolutely associated; therefore, fiscal threat a new massive impact on the particular monetary overall performance of economic card issuers. Formerly Kithinji (2010), moreover evaluated typically the effect regarding credit score hazard at the success connected with Kenya industrial financial institutions through the time period 2004-2008 by utilizing ROA since the revenue sign. However, the research demonstrated the particular natural influence in between credit rating chance and also earnings. By using determine six, Kithinji (2010) described the degree of credit score together with earnings were fairly lower plus steady through the period of time evaluated.

Additional, Boahene et al. (2012), researched this relationship involving credit ranking likelihood of a few chosen financiers in Bekwai, Ghana in the yr 2005-2009. It had been uncovered how the percentage of credit scores threat efficiently affected earnings linked to car finance companies. In line with the analysis, the existence of higher overall credit score danger enables the lender to be able to cost elevated rates of interest, hence leading to large productivity. Abiola and Olausi (2014) examined the result related to taking care of credit rating risk inside business banking companies throughout Nigeria just by evaluating their own efficiency. By simply examining time coming from 2005-2011, it was revealed that will nonperforming financial loans a new considerable impact relating to the specific bank's profits. In line with the analysts, typically the success of this creditors enhanced regardless of the increased amounts upon nonperforming mortgages.

Your research simply by Sunshine as well as Alter (2018) reviewed the partnership connected with credit score chance with all the ALL OF US industrial bank's earnings price. Having a test associated with 83 business credit institutes in the USA by the year 2010 so as to 2017, it had been learned that ROA furthermore NPL have been negatively connected. Based on the scientists, higher level regarding NPL reduces the linked to funds obtainable in the specific consumer banking companies to get in addition run, therefore reducing earnings. Li in addition to Zou (2014) determined an identical end result and even explained that can nonperforming financial loan as well as ROA adversely relevant. Typically the test from examine incorporated the largest forty seven industrial mortgage lenders within European countries via 3 years ago for this yr.

Poudel (2012), looked into the different guidelines relevant towards the control related to credit rating threat connected with money institutions inside Nepal from your season 2001-2011. The research analysed thirty-one banking institutions together with says credit score risk management impacted the particular functionality involving financial institutions; nonetheless, completely a good inverse romance. Based on Poudel (2012), typically the debts level added probably the most throughout examining the actual banking companies when it comes to economic functionality. Furthermore, Ruziqa (2013), learned the effect of diverse caterogy associated with risks for instance credit rating additionally fluid danger after standard bank economic overall performance regarding Indonesian standard finance institutions plus underlined of which credit score threat includes a substantial romantic relationship using ROA; however, it absolutely was adverse.

RESEARCH METHODOLOGY

The important thing device of the papers is the positivistic strategy, which usually assists in the rumours screening and it is efficient around the quantifiable method. The prospective populace with this particular study consists of 6 industrial banking institutions doing work in the particular Maldives, for that amount of 2008-2017. These kinds of financial institutions consist of; Lender associated with Maldives, Loan company regarding Ceylon, Mauritius Industrial Financial institution, HSBC, plus Condition Standard bank involving Indian in addition Habib Lender. This specific research used E-views software program to make sure the specific precision from the extra information gathered as well as evaluate the outcomes.

TABLE 1.1 Sources of Data

Variables	Explanation	Data
Board Size	Number of the board of directors at the end of each financial year	Bank Annual Report
Board Composition	The number of independent directors to board size at the end of each financial year	Bank Annual Report
Credit Risk Committee	The number of members in credit risk committee at the end of each financial year	Bank Annual Report
Return on Asset	Net profit after tax/Total Assets at the end of each financial year	Bank Annual Report

Along with record modeling, to be able to figure out the bond between reliant in addition impartial adjustable, may be the relationship evaluation. The specific connection pourcentage denoted because 1, might have a worth among -1 plus one, where the particular even further typically the 1 is through simply no, the particular more powerful the specific geradlinig partnership between 2 adjustable will be. The advantage of the connection

percentage is it completely analyzes the business in between a couple of aspects. This studies if the self-employed varying as well as based mostly changing discuss covariance in addition to shows when the connection involving the 2 adjustable is usually good or even unfavorable, displaying the amount which they assimilate.

R value	Indication
0 = No Correlation	
0.01 to 0.19 or -0.01 to -0.19	Very weak Positive correlation or Very weak Negative correlation
0.20 to 0.39 or -0.20 to -0.39	Weak Positive correlation or Weak Negative correlation
0.40 to 0.59 or -0.40 to -0.59	Moderate Positive Correlation or Moderate Negative Correlation
0.60 to 0.79 or -0.60 to -0.79	Strong Positive Correlation or Strong Negative Correlation
0.80 to 0.99 or -0.80 to -0.99	Very Strong Positive Correlation or Very Strong Negative Correlation
1.00 or -1.00	Perfect Positive Correlation or Perfect Negative Correlation

Moreover, multiple regression analysis will be used to estimate the relationship between the independent variable and the dependent variable

The regression model for this research can be formulated as below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e, \text{ whereby,}$$

TABLE 1.2 Regression Model

α	Constant/ Y- intercept	
Y	Dependent Variable	Credit Risk Management
X_1	Independent Variable	Board Composition
X_2	Independent Variable	Board size
X_3	Independent Variable	Credit Risk Committee
X_4	Independent Variable	Return on Asset
e	Error	
β	Beta	

DATA ANALYSIS

With regard to examining information via several regression, it is crucial for that info to be fixed, therefore prior to the evaluation, the information must be changed in order to stationarity. This particular study used Increased Dickey in addition Larger (ADF) examine, along with minus 1st degree differencing. Depending on Gujarati and Tenir (2009), the particular stationarity of information shows that this variance, autocorrelation, imply, along with other parts are usually continuous with time; consequently, nonstationary info, can display to be able to wrong leads to the specific regression research. In line with the guideline associated with gadget underlying screening once the p-value much more compared to five per cent (at five per cent substantial level), the void of one underlying is present within the details meaning the information is just not immobile. However, data to become standing the actual g worth must be lower than five per cent in five per cent considerable level.

From your results related to device main screening finished this particular study implies that, at first this factors nonperforming mortgages, Table Structure, Credit rating Danger Panel as well as Panel Dimension are certainly not stationery. To be able to carry out regression examination the info must be non moving, and so the previously discussed factors have been changed into differenced facts because demonstrated inside ADF first variation, where this implies that typically the 1 ideals were below five per cent. The particular s really worth with regard to Come back on Resource (0. 0395) displays the well worth lower than five per cent, showing it is fixed. An additional analysis assessments carried out were autocorrelation, heteroscedasticity, normality plus multicollinearity check.

TABLE 1.3 Unit Root Test at 1st Difference

Variables	Level	ADF 1 st Difference
Non-performing loans	0.3661	0.0001
Board Composition	0.0609	0.0000
Credit Risk Committee	0.1481	0.0000
Board size	0.1987	0.0000
ROA	-	0.0395

**TABLE
mary of
Checking**

**1.4 Sum-
Diagnostic**

Tests	Results
Autocorrelation	
Breush-Godfrey Serial Correlation LM Test	Reject H0. Results passed.
Durbin Watson Test	Reject H0. Results passed.
Heteroskedasticity Test	
Breusch-Pagan-Godfrey Test	Reject H0. Results passed.
Normality Test	
Jarque-Bera test	Reject H0. Results passed.
Multicollinearity	
Correlation test	Reject H0. Results passed.

The specific Dramón Relationship LM check (0. 7848), (Breusch-Pagan-Godfrey Check (0. 1151) plus Jarque-Bera Normality Analyze (0. 177708) offers big P-value, that is a lot more than the numerous level in five per cent. Consequently, the particular null rumours has been declined, in addition approved the choice rumours. In addition, typically the Durbin Watson analyze (1. 946) furthermore shows a worth which can be among I as well as two, which usually shows that this information does not need the issue associated with vehicle relationship. So that it certifies the information is usually dispersed as well as the problem regarding autocorrelation, heteroskedasticity will not can be found inside the design.

The particular multicollinearity test out implies that, the specific connection outcomes between reliant adjustable along with the impartial factors exhibits a worth less than zero. eight. Therefore, what this means is how the concern involving multicollinearity will never can be found within the info. In line with the over evaluation assessments, it really is extremely obvious the fact that style in case free of monetary issues, therefore the actual regression type might be proceeded to look at exactly how efficiently credit score risk will be handled from the self-employed parameters.

REGRESSION ANALYSIS

The multiple regression analysis examine whether a significant relationship between the dependent variable (Non-performing loan) and independent variables (Board Composition, Credit Risk Committee, Board size, and Return on Asset) is existing. To test the hypothesis, the level of significance employed for this research is 5% significance level.

TABLE 1.5: Dependent Variable: Non-Performing Loan

Variable	Coefficient	Std.Error	T-Statistics	Prob.
Constant	0.024842	0.056663	0.438419	0.6638
Board Composition	0.039959	0.271107	0.147391	0.8837
Credit Risk Committee	0.561460	0.308609	1.819327	0.0774
Board size	-0.987397	0.273568	-3.609325	0.0010
ROA	0.345420	0.111649	3.093800	0.0039

Statistic	
R-Squared	0.4923
Standard Error	0.3779
F-statistic	2.6115
Prob (F-statistic)	0.0119

The specific desk one 5 shows that this pourcentage associated with dedication (R-squared) will be correspond- ing to absolutely no. 4923=50%. This particular implies that the particular regression method describes 50 per- cent from your variety of typically the nonperforming financial loans. The rest of the 50 % will be described by simply elements which are not actually contained in the design. R-square is definitely an indicator through the degree regarding variability from the reliant flexible which is validated from the impartial aspects. Additional, the particular dependability in the design can also be analyzed simply by R- square-shaped, and so the higher the specific R-squared, the greater reliable typically the design will be. The particular minimal regular arranged with regard to R-square is usually zero. summer time, which usually indicates which will 60 per cent involving variations within the based mostly adaptable should be rationalized with the self-employed factors (Gujarati and Tenir, 2009).

On the other hand, when the R-squared is definitely under the specific lowest standard, will not indicate the regression design will be difficult to rely on or even improper. It truly is fascinating to notice that may inside the study related to Nyor as well as Mejabi (2013); Sahu ainsi que ing. (2017) in addition Onuko ainsi que ing. (2015), the particular R-squared has been lower than no. six. As a result, it may be solved how the regression type of this particular research suitable too.

Additionally, to sum up regression stand, this demonstrates typically the p-values with regard to Business Gov- ernance aspects Table Structure, Credit rating Danger Panel, Table dimension, plus ROA are usually zero. 8837, zero. 0774, actually zero. 0010, in addition to absolutely nothing. 0039 correspondingly. Available p- values, it could be realized that just Panel sizing and even ROA (0. 0010 as well as zero. 0039) are often statis- tically substantial as they are below five per cent degree of importance (p < nil. 05). The particular p-values to plank construction in addition to credit score threat panel sizing (0. 8837 in addition to nil. 0774,) are viewed as unimportant, because p-values will be more than the number of value five per cent (p> zero. 05).

With this analysis, the particular regression formula is really as adopted:

$$Y = 0.025 + 0.040X_1 + 0.561X_2 - 0.987X_3 + 0.345X_4 + e, \text{ whereby}$$

TABLE 1.6: Elements of Regression Line

	Independent and dependent Variable	Coefficient
Y	Non-Performing Loan	
X ₁	Board Composition	0.040
X ₂	Credit Risk Committee	0.561
X ₃	Board size	-0.987
X ₄	ROA	0.345
e	Error	

TABLE 1.7: Summary of the Output of Regression Analysis

Variable	Result
Board Composition	Positive and insignificant
Credit Risk Committee	Positive and insignificant
Board size	Negative and significant
ROA	Positive and significant

Board Composition

One of the is designed of the research to evaluate regardless of whether table structure effects the particular credit score risikomanagement associated with banking institutions inside the Maldives. The above mentioned regression desk implies that the specific pourcentage regarding table structure will be absolutely no. 040. This means that that will anytime typically the panel framework raises simply by 1 device, the result on nonperforming financial loans and even credit rating risikomanagement raises by simply 4%. The conventional agent involving panel structure displays no. 271; therefore, which means that that when it has a boost of just one product in the regular change related to plank formula, the conventional change from the nonperforming loan products boosts by simply zero. 271 models. The particular regression results additional display that this impartial adjustable, plank make up, comes with a small partnership along with nonperforming financial loans. Because the p-value will be over the importance degree five per cent (P-value> zero. 05 persis oleh zero. 8837 > zero. 05), the particular null rumours will be approved, along with the option speculation will be declined.

Credit Risk Committee

The specific pourcentage from the Credit rating danger panel sizes are usually zero. 561. This is certainly like impact related to table structure on nonperforming financial loans. As a result, once the dimension from your Credit score chance screen raises, the result through the upon nonperforming mortgages improved simply by 56. 1%. The conventional agent with regard to credit score risk panel dimensions are absolutely no. 309, therefore the conventional change associated with credit rating threat panel dimensions boost by simply 1 device, the conventional modify in the nonperforming lending options boosts simply by no. 309 models. In addition, the particular regression results furthermore display that this impartial adjustable, credit standing danger panel sizing comes with a minor partnership along with nonperforming loans, since the p-value will be over an importance level five per cent (P-value > zero. 05 sama dengan zero. 0774 > actually zero. 05). Therefore, the specific null speculation is usually approved, as well as the option speculation will be declined.

Board Size

The specific pourcentage from the table dimensions are -0. 987. This implies, once the dimensions in the Table raises, the particular nonperforming Mortgages reduce simply by 98. seven percent. Based on the regression desk, the conventional agent with regard to table sizing associated with zero. 274. Consequently, this discloses that when the typical modify regarding panel aspect boost by simply 1 device, the normal alter with the nonperforming mortgages raises simply by absolutely no. 274 models. Additional, typically the regression results with this adjustable, implies that plank dimension features a substantial partnership together with nonperforming financial loans, since the p-value will be underneath the importance degree five per cent (P-value < zero. 05 persis oleh zero. 0010 < zero. 05). Therefore, the particular null speculation is usually declined, as well as the option rumours will be approved.

Return on Asset

In line with the desk, this implies that the particular percentage related to come back upon source will be zero. 345. This particular implies that the specific go back about property is higher set up nonperforming mortgages improved. Therefore, which means that that will however the home loan arrears will be increased, the rise will be in proportion towards the success from the financial institution. Theoretically, typically the nonperforming mortgage loan must have a good inverse partnership along with financial institutions success; therefore, the actual obtaining will be irregular. In addition, the particular regression stand demonstrates the conventional

agent zero. 11. This specific means that whenever the conventional change connected with returning in source raises simply by 1 device, the typical modify in the nonperforming lending options boosts by simply absolutely no. 274 models. Likewise essential, typically the regression outcomes with this flexible furthermore demonstrates that return upon resource features a substantial connection together with nonperforming property, since the p-value will be underneath the importance degree five per cent ($P\text{-value} < \text{zero. } 05$ persis oleh zero. 0039 < zero. 05). Hence, the particular null speculation is usually declined, as well as the option rumours will be approved.

DISCUSSION ON FINDINGS

This specific research continues to be carried out, using the objective to be able to identifying the potency of company governance around the credit rating risikomanagement of economic financial institutions within Maldives. The study examined 4 aspects, specifically Table framework, Credit score danger screen, Panel Dimension in addition Come back upon Source. Therefore, it is often found that Plank Dimensions plus Go back on Resource are usually considerable elements that will give rise to the particular credit score risikomanagement of economic banking institutions inside Maldives. However, Table Structure as well as the dimensions from the credit rating risk panel, had been found out because minor aspects.

The research indicates that this scale typically the Table is the most important element of which impact the credit standing risikomanagement associated with banking companies. This means it is significant for that financial institutions so as to include the particular table with increased users, significantly benefitting their own tactical making decisions procedure. This kind of obtaining could be explained from the proven fact that the specific participation of the much more people might result in typically the factor related to varied experience and knowledge, ultimately building more effective as well as efficient strategies additionally guidelines to reduce risks. With increased specialists carrying out within the Aboard, they can concentrate much better after crucial problems such as the regarding nonperforming financial loans that could trigger stress within the common balance in the lender. For example, numerous company directors may be chosen to concentrate and provide their particular understanding about particular element they are centered on. Therefore, it really is says will certainly big planks might greatly help the specific tactical making decisions process of the particular banking companies and they are healthful for his or her efficiency. The consequence of this particular studies like certain results regarding Bozec and Rato (2005); Lotfi as well as Malgharni, (2013); Uadiale, (2010); Dao and Pham (2015) in addition to Rachdi, ainsi que ing (2013), where a substantial partnership was discovered among table dimension and also credit score risikomanagement connected with finance institutions. The particular experts says, since the quantity of panel users raises, typically the mortgage lenders work along with a lot less nonperforming loan products present inside the financial institution. non-etheless, the particular conclusions linked to Khatun as well as Ghosh (2019) and even Uwuigbe and Fakile (2012) opposes the outcomes with the research. Typically the scientists identified that will financial institutions together with huge panel sizing produced much more nonperforming financial loans, and they are generally ineffective in comparison to smaller sized panels. Additionally, Boussaada as well as Labaronne (2015) says may, plank dimension will never clarify variations in credit history chance.

In addition, it is located that this effect on come back in property simply by credit rating risikomanagement will be substantial. The outcomes of the examine remarked that typically the increase related to nonperforming loan products enhanced the particular go back on property. Nevertheless, this is certainly theoretically impractical, due to the fact whenever bankers feel the issue of accelerating nonperforming financial loans, this specific decreases typically the return upon resource consequently decreasing the particular success. Below this kind of scenario in case lenders price a progressively more higher interest rate on the loan products, they may capable to make up. In addition, typically the returning after advantage may be increased when the part of the actual nonperforming mortgage is just not considerable sufficient as a way to impact the particular keep coming back on the lender, in addition loan providers could be executing nicely about some other elements of which consequently resulted in the rise of the give back on property. Returning after Resource is among the most significant signals that will determine earnings from your loan companies, therefore it is necessary with regard to companies so that you can improve their very own source casinos to get improved gain. The outcomes of this research have been in collection with all the studies through the study by simply Abiola and Olausi (2014), where an important good partnership has been uncovered. Based on, Abiola together with Olausi (2014), the income of your traditional bank increased, although nonperforming mortgages been around. In theory, just in case a lot of nonperforming mortgages been with us inside banking companies, his or her success is generally lower. Yet, mortgage lenders may possibly generate elevated gain moving this mortgage deficits in order to financial clients by simply getting larger attention margins issues mortgages. Boahene ou ing. (2012), backed this specific truth simply by saying the choice belonging to the standard bank to be able to cost you a higher rate of interest around the financial loans boosts their own success, nevertheless exact same this boosts the debts threat too.

Additionally, Kithniji (2010), contended that it must be not essential with regard to shores to pay attention to the amount of credit score danger to maintain large earnings. Nonetheless, typically the results within the research are at odds of the specific research carried out from the experts, Sunlight plus Alter (2018); Isanzu, (2017); Ruziqa (2013); Tafri ain 's., (2009) that learned an adverse important partnership using bring back on resources in addition to nonperforming loan products. The particular analysts contended of which better nonperforming financial loans affected earnings connected with financial adversely.

Aside from, it is observed the structure involving plank having impartial company directors is a good minor aspect that will affect the actual administration associated with nonperforming loan products. This particular end result means that part linked to self-employed company directors does not need any kind of influence on the particular credit worthiness risikomanagement regarding financial institutions. Grounds in order to warrant this kind of getting will be how the company directors might have a lot of stress in the management. In spite of becoming impartial owners, inner tension through supervision produces issues and even effect typically the choices from administrators, therefore it may have zero impact on this credit rating risikomanagement related to mortgage lenders. The final results found out at this time study are usually like specific conclusions involving Rachdi tout autant que 's. (2013) together with Ahmad ainski que approach. (2016), that decided of which nonperforming financial loans associated with financial institutions are certainly not impacted by the quantity of 3rd party film fans displayed within the aboard. Nevertheless, Matanda au même tire que ing., 2015; January plus Sangami, 2016, furthermore Magembe de plus 's., 2017 determined which will when compared to professional owners, the majority of the indie company directors often protect the specific passions regarding outside investors, hence assisting to slow up the nonperforming loan products.

Furthermore, this kind of analyze seen how the scale credit ranking chance panel does not need any kind of substantial influence on the actual nonperforming financial loans. This type of probably due to the fact, this panel was missing people by using related experience in addition to understanding. As a result, they could not have to get capable to provide all their total share when needed. Similarly, sometimes the specific function involving threat panel would be to simply evaluation and even recommend, nevertheless it may be the table that will approves in addition associated with greatest option, no matter what the particular -panel suggests. In theory, credit scores threat committees possess the a result of individually critiquing the actual recognition, dimension, checking together with managing from your likelihood of banking companies. Hence, regardless of the level it truly is essential for that presence for the section, because they apply adequate plans plus recommendations which could reduce the hazards for your mortgage brokers. Moreover, it is important that each selection of typically the credit score hazard panel is usually consumed in the very best attention through the loan company. It may be asserted of which, although this type of review failed to discover the importance in overall credit score danger panel within just controlling nonperforming lending options, credit rating chance committees are in fact advantageous simply because they reinforce the danger supervision methods in addition to guidelines. Typically the scientists Hines (2012); PWC (2017) and even Elamer together with Benyazid (2018), determined an identical outcome that will analysis which usually did not discover the requirement for this development of the person threat panel, since it can result in duplicative government confirming. The particular research workers furthermore considered that may setting up danger committees restrict the particular risk-taking capability from the operations, influencing monetary overall performance in a negative way. However, Ng de surcroît way. (2013); Yatim (2009) as well as Eggleston as well as Ware (2009), signified that could chance committees are very important regarding loan provider. In line with the analysts typically the organization associated with threat committees helps you to lessen the hazards, plus the panel displays the particular dedication in the mother board to be able to improve Business Governance additionally interior manage program

CONCLUSION

The whole goal of the papers continues to be to assess the specific part associated with company governance around the credit rating risikomanagement of economic financial institutions, by using the particular aspects Table Structure, Dimensions regarding Credit score risk panel, Panel Sizing, plus Come back on Resource. The entire outcomes of this particular research, show a good R-Squared related to 50 percent, therefore, finishing that will fifty percent from your variety of typically the dependent adjustable (nonperforming Loan) will be explained the particular impartial flexible (Board Formula, Aspect involving Credit rating threat panel, Plank Measurement, in addition to Go back after Asset). With this study typically the factors which will considerably impacted the actual credit score risikomanagement in case industrial banking institutions are often table dimension in addition come back upon source. The research additional implies that Aboard Make up as well as Credit score danger screen sizing comes with a small impact within the management associated with credit rating hazard. In line with the results with this examine, the power of business governance to reduce nonperforming mortgage is just not completely decided. It is crucial of which banking institutions to cover near interest about

how exactly the particular financial loans are often given and exactly how it may be handled efficiently in a fashion that will not impact the monetary achievement from the lender.

In addition, provided the fact typically the Mother board connected with company directors performs a considerable function; it really is beneficial for each company to be able to find owners together with adequate understanding additionally experience. Consequently, these people lead the very best in the information and even manual the particular administration on issues that may affect the soundness with the banking companies. Most of all, mixed economic experience and knowledge enables typically the panel linked to administrators to fulfill these tactical needs through the financial institution. Because the test scale this specific research restricted to just 6 financial institutions, an additional study could be carried out by simply growing the particular trial in order to which includes each loan company working inside the Maldives. The additional study have to be carried out thorough along with other impacting on elements that will be present within reducing the specific non-performing financial loans in the banking companies.

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