

Report On

An Empirical Analysis of the Relationship Between CEO
Compensation and Non-Performing Loans (NPLs) in Commercial
Banks of Bangladesh

By
Kazi Rafia Sattar Liba
21204066

An internship report submitted to the BRAC Business School in partial
fulfillment of the requirements for the degree of Bachelor of Business
Administration

BBS Department

BRAC University

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Kazi Rafia Sattar Liba
21204066

Supervisor's Full Name & Signature:

Nilufar Panna

First Assistant Vice-President,

General Banking

Letter of Transmittal

Dr. H. M. Arif

Assistant Professor

BRAC Business School

BRAC University

Kha 224 Pragati Sarani, Merul Badda, Dhaka 1212

Subject: Submission of Internship Report on the Topic: “An Empirical Analysis of the Relationship Between CEO Compensation and Non-Performing Loans (NPLs) in Commercial Banks of Bangladesh”.

Dear Sir,

With all due respect, I would like to present my internship report on the topic: “An Empirical Analysis of the Relationship Between CEO Compensation and Non-Performing Loans (NPLs) in Commercial Banks of Bangladesh: A Case Study on ONE Bank PLC Ltd.” This report has been prepared by me for the submission of my internship work and completion of my Bachelor of Business Administration (BBA) program at Brac University.

This report discusses my internship experience along with the empirical analysis conducted on the relationship between CEO compensation and non-performing loans (NPLs) in selected commercial banks of Bangladesh. This report has been prepared under the supervision of **Mrs. Nilufar Panna (GB Head)** and without her guidance this report could not be prepared.

Sincerely, _____

Kazi Rafia Sattar Liba

ID: 21204066

Brac Business School

Brac University

Non-Disclosure Agreement

This agreement is made between **ONE Bank PLC** and the undersigned student, **Kazi Rafia Sattar Liba** student of BRAC University. It is hereby agreed that this internship report, titled “An Empirical Analysis of the Relationship Between CEO Compensation and Non-Performing Loans (NPLs) in Commercial Banks of Bangladesh” does not contain any confidential information of the organization.

All data used in the report has been collected from authorized sources, publicly available documents, or with prior approval from my internship supervisor.

Kazi Rafia Sattar Liba

ID: 21204066

BRAC Business School

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Acknowledgement

First of all, I would appreciate acknowledging all individuals who took a pivotal role in the successful completion of the internship report.

Most notably, I am vastly grateful to ONE Bank PLC for allowing me the opportunity to carry out my internship and gain practical experience in the real banking arena. Notably, I would like to express my sincerest appreciation and thanks to my internship supervisor, Ms. Nilufar Panna, First Assistant Vice President- for her kind support, supervision, and guidance that culminated in my internship period.

I would also like to thank the officers and members of the staff of ONE Bank PLC, Mirpur-11 Branch, for their co-operation, patience, and eagerness to share their knowledge and experiences.

I would like to express my gratitude to the faculty members of the BRAC Business School, in particular, my academic supervisor, for providing necessary guidance and feedback in preparing this report.

Finally, I would like to reserve a very special corner of my heart for my family, friends, and loved ones. It is they who have continuously been my greatest source of inspiration.

Executive Summary

In this paper, the relationship between CEO pay and NPLs in some commercial banks in Bangladesh will be studied. In addition to that, personal experience during the Internship at ONE Bank PLC will also be described. It is concluded that there is no strong correlation between CEO pay and NPL ratio . There are some contradictions found in this context, because in many cases, the NPL ratio goes up with the increase in salaries whereas in other cases, NPL ratio falls even if there was insignificant CEO pay. Therefore, it can be assumed that CEO pay does not necessarily affect the NPL ratio. There are also other things such as proper corporate governance, proper credit risk management, and internal control mechanisms that play a major role in deciding the NPL ratio. This paper has also explained about the operation mechanism of ONE Bank PLC in detail.

Keywords: CEO Pay, NPL, Corporate Governance, Credit Risk Management

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Chapter 1

Overview of Internship

1.1 Student Information

Name- Kazi Rafia Sattar Liba

ID: 21204066

Program: Bachelor of Business Administration

Major: Accounting

1.2 Internship

1.2.1 Company Information

I got the opportunity to do the internship at ONE Bank PLC, which is one of the prominent private commercial banks operating in the country of Bangladesh. The format of the internship was such that it exposed the intern to practical experience in several different sections of the bank, including General Banking, Clearing, Accounts, Credit, and Marketing. This gave the intern a complete insight into how the functioning of banking takes place.

The duration of the internship program was from 5th October 2025 to 5th January 2026. My main reporting office lies in Mirpur-11, Dhaka.

1.2.2 Work Experience Supervisor Details

Name: Nilufar Panna

Position: First Assistant Vice-President

Department: General Banking

There has been constant guidance provided throughout this process by my supervisor during the internship, who has monitored my progress in relation to banking operations.

1.2.3 Job Scope - Duties and Responsibilities

The internship program at ONE Bank PLC was planned in such way that it would give a rotation experience of the functioning of various departments. In General Banking, I was involved in opening an account, depositing, withdrawing, and KYC procedures. In the Clearing Department, almost all types of operations related to cheques such as processing of cheques, fund transfer, and interbank reconciliation were performed by me. When I moved to the Accounts Department through rotation, I was involved in ledger maintenance, financial bookkeeping, and preparing reports. In the Credit Department, I was involved in loan procedure assessments, preparing loans, and fulfilling the regulations set by the Bangladesh Bank. Lastly, in the Marketing Department, I was involved in customer relations activities, marketing operations, and market research.

This rotational system of doing things has enabled me to learn the workings of each department and the way in which the processes flow from one department to the other. The system has also given me a firm foundation in the areas of banking, compliance, and digital banking.

1.3 Internship Outcomes

1.3.1 Contribution to the Company

During my internship experience, I assisted the various departments in their day-to-day operations with tasks such as documentation, reporting, and end tasks of operation. My role in assisting with the processing of filing, credit appraisal support, and marketing initiatives helped ease the operations. By doing this, I was able to assist the operation's staff in their tasks since I was contributing to the operations' work and had other tasks to perform at the correct times.

1.3.2 Benefits Gained

The internship combined a complete exposure to a banking institution. Working across the different sections, I gained experiential knowledge regarding retail banking, the process of clearing, account management, credit rating, and the marketing plan. The internship increased the technical proficiency level regarding financial operations, reporting, and internet banking. Moreover, exposure to professionals across the various departments increased my efficiency levels regarding communication, collaboration, and problem-solving. Overall, this internship has proved to be helpful for me in improving my knowledge regarding professionalism and confidence at work.

1.3.3 Problems and Challenges

Forgetting to adjust to various departments as well as learning how they work was quite an inconvenience in these early stages. Learning additional terms in banking as well as learning procedures from various departments took an extra bit of time. Technological difficulties in terms of system downtime or slowness occasionally hindered the process sometimes. It also took some time to adjust to office dynamics in terms of various communication styles among various teams. However, noticing the observation of tasks to which I was assigned to perform while questioning as well as practice slowly but surely helped to move beyond difficulties to perform more confidently in terms of responsibility of various departments.

1.3.4 Recommendations & Future Internship Placement

For an improvement in having an effective internship program in ONE Bank PLC, I strongly recommend to provide an orientation to new interns to get them familiar with various tasks of various departments. The allocation of task performers as guides to new interns during rotational practice will certainly increase efficiency in learning. Easy access to computer aids will also help to have effective monitoring of performance in terms of tracking problems in learning, in order to provide timely remedies. Finally, allocation of useful tasks to all departments will help to maximize learning as well as help to have some contribution to the bank.

Chapter 2

Organization Part

Introduction

ONE Bank PLC is considered to be among the foremost Private Commercial Banks in Bangladesh, catering to the diverse categories of its business and corporate, SME, and retail segments with its financial solutions. Right from its inception, the focus and concentration of ONE Bank have remained in the facilitation of modern banking solutions, customer-centric banking, and the best practices in the realm of financial inclusion. The Bank is expanding its wings and enhancing its banking solutions.

The bank is presently engaged in its banking operations at various levels across the geographical boundaries of the country through its various operational units such as banking branches, sub-branches, ATSpots, Cash Deposit Machines, as well as Agent Banking Units. The various products of the ONE Bank include corporate products, loans to Small to Medium Scale enterprises, retail deposits, cards, Agent Banking services, Foreign Exchange services, as well as Online services.

ONE Bank is still engaged in promoting good corporate practices, transparency, as well as good banking practices. With the aim of developing itself as a major financial brand in Bangladesh, it still focuses on customer satisfaction, efficiency, as well as advancements in technology. This chapter provides an overview of the organization, its background, activities, as well as practices, besides the orientation of the organization in terms required for compiling the report on internship.

2.1.1 Company Profile

Table 1 Company Profile

Particulars	Details
Name of the Company	ONE Bank PLC
Legal Form	Public Limited Company
Industry	Banking and Financial Services
Date of Incorporation	1999
Head Office	HRC Bhaban, 46 Kawran Bazar C/A, Dhaka-1215, Bangladesh
Branch Network	120+ branches including sub-branches & agent banking outlets
Managing Director & CEO	(Update with current MD/CEO name)
Products	Corporate Banking, SME Finance, Retail Loans, Deposits, Cards, Agent Banking, Digital Banking
Slogan	“Service First”
Website	https://www.onebank.com.bd

2.1.2 ONE Bank PLC Background Information

The name of this company is ONE Bank PLC. ONE Bank PLC was founded in the year 1999 under the Companies Act as a private commercial bank. The main aim was to fulfill all financial needs in the country with its unique approach to financial services in Bangladesh. Since the formation of this organization, this firm has achieved immense success owing to its sharp management as well as its devoted Board of Directors.

The onus of forming this bank Restated on the foundations of being transparent, efficient, and an innovator in its area of servicing. Since its formation, ONE Bank has been trying to develop its reach as well as developing technology that would allow it to provide various facilities for its retail as well as business clients. The objective of this bank would be to provide a favorable online platform as per the needs of new-age clients.

ONE Bank PLC has undergone a shift from the conventional banking system to a hybrid model that includes technology-based solutions such as the ONE Bank app, e-solutions, digital loan solutions for SME businesses, and the agent banking system. ONE Bank, from the time of its inception, has always been a progressive organization in terms of financial inclusion and sustainability.

2.2 Overview

“One Bank PLC is a full-fledged commercial bank functioning under the regulatory control of Bangladesh Bank. The Bank is engaged in various sectors of banking operations such as retail banking, SME banking, agriculture banking, corporate banking, and international business of trade. Because of its unceasing expansion in deposits business, loan business, remittance business, and internet banking business operation, its position has already been strengthened among banks.”

Activities performed by the bank depend on the factors involving customer-centric services, innovation, operations, risk management, customer-centric services, innovation, customer-centric services, innovation, customer-centric services, innovation, customer-centric services, innovation, customer-centric services, customer-centric innovation, customer-centric innovation. The ONE Bank aims at risk management, operations management, customer-centric innovation, customer-centric services, innovation, customer-centric services, innovation, customer-centric services, innovation, customer-centric services, innovation, customer-centric innovation, customer-centric innovation, customer-centric innovation, customer-centric innovation.

In view of the growing branches and technology-driven support services, the following promise has been made that ONE Bank will provide the clients in the country with immediate, transparent, and truthful banking services.

2.2.1 Vision

The vision of One Bank PLC is to be amongst the topmost commercial banks in Bangladesh with an enthusiasm to provide utmost customer service with technology support and professionalism in banking.

2.2.2 Mission

The pledge made by the ONE Bank is “to ensure quality financial services, operational excellence, and develop strong relationships and also support the growth of the economy of the country through appropriate banking practices.”

2.2.3 Core Values

“The values of ONE Bank PLC act as the organizational culture which aids in directing the Bank in all aspects of its various functions.” The values of an organizational entity act as the base of all activities in respect to decision-making as well as the functionality of the entire concern.

Customer Focus

The bank also has a mission to be aware of the requirements of the customers, meet their demands, and provide good, suitable, and genuine support to the customers. Customer satisfaction is a continuous process, which is followed by ONE Bank by being responsive, dedicated, and relationship-oriented towards customers.

Innovation and Technology

With the dynamic environment created by the banking sector, ONE Bank emphasizes the implementation of current technology in order to achieve efficiency and innovations in digital banking. This can be in the area of innovations in mobile banking, automated systems, and so on. Innovations can also come in any form.

Excellence and Quality Service

One Bank strives to offer excellent service at every interface. The measuring of service standards never ceases in this bank, and it never tires of improving the working processes of its employees in the pursuit of providing excellence in the service they deliver. The aim of this bank is to earn the trust and strong ties of its loyal clients through the service effort of delivering excellence and quality. The employees of this bank are specially trained to deliver excellent service to the clients.

Integrity and Transparency

The role of transparency and honesty is regarded to be crucial to the governing and operation of the bank. The moral behavior portrayed in its monetary operation is reflected in the regulations set to govern banks in the country. The moral behavior portrayed will raise the reputation of the bank in the field of banking.

Commitment for Growth and Development

The aim of the ONE Bank is to be a part of such a sustainable growth process as well as the development of the economy of Bangladesh. The ONE Bank is always on a process of innovation; the outlets of services as well as its employees keep on getting increased.

2.2.4 Leadership

The BOARD at ONE Bank is highly experienced, and its members belong to different business backgrounds. The board defines their strategy approach and also reviews the performance of the bank at the operation level. The Managing Director & CEO heads the Management Committee or MANCOM, which is also associated with the implementation of strategies and management of different departments as well as the regulation aspects. The focus in management entails governance, risk management, supporting digital innovation, consumer satisfaction, and sustainable growth.

2.2.5 Organogram

The structure typically includes:

Board of Directors

Managing Director & CEO

Deputy Managing Directors

SEVPs, EVPs, & VPs

Department Heads

Functional Units

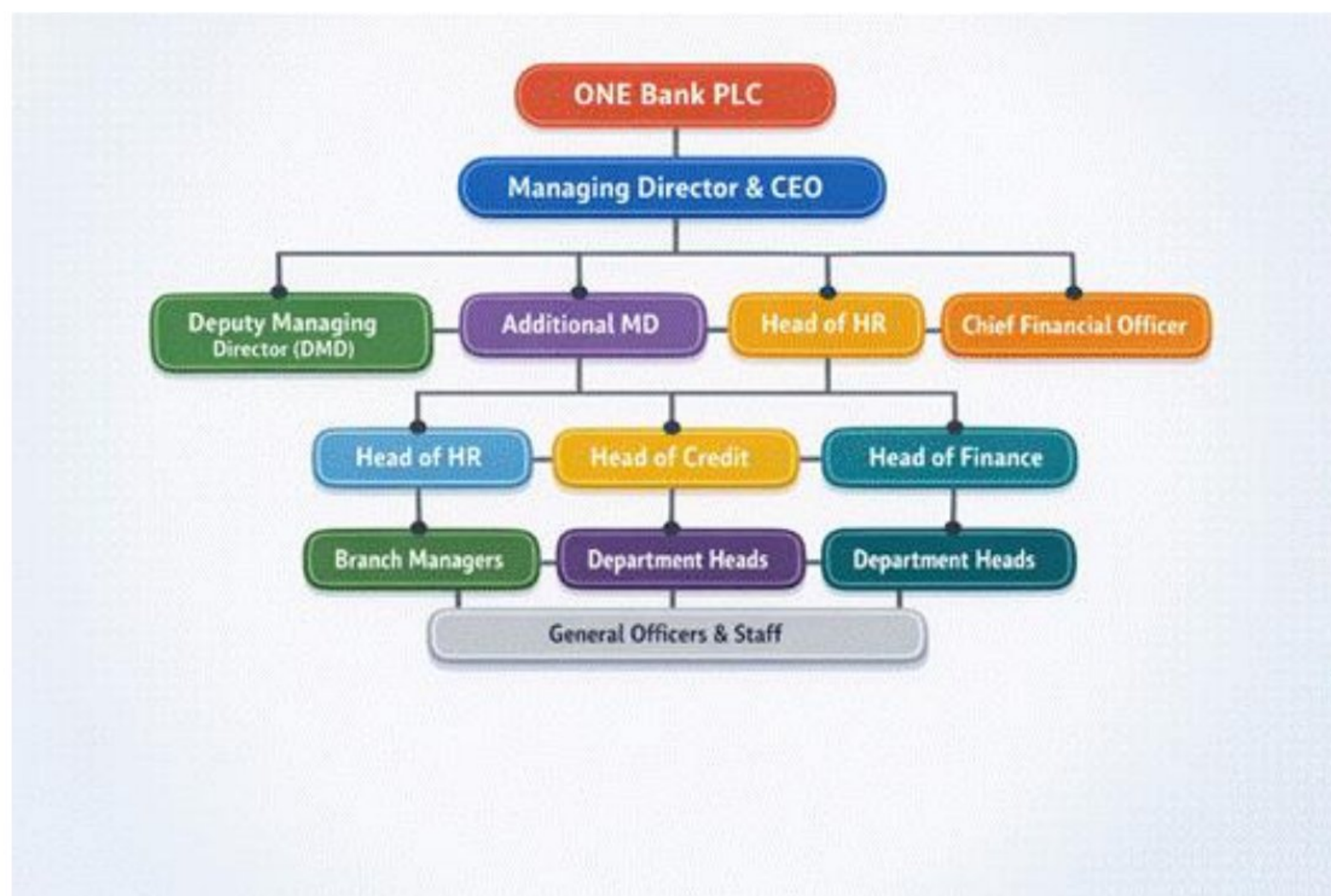


Figure 1 Organogram of ONE Bank PLC Ltd

2.2.6 Shareholders

ONE Bank PLC has a diversified and sound shareholding structure, which is dominated by major business houses, institutional investors, and general shareholders. The shareholding pattern of the bank has changed since its inception, which has happened because of growth, government regulatory issues, and investment by various corporate houses in Bangladesh. The overall shareholding pattern depicts sound financial integrity, stability, and commitment to the banking sector.

ONE Bank PLC was established in 1999 by a number of renowned industrial and business personalities with an intention of incorporating a technology-based private commercial bank in Bangladesh. The initial shareholders belonged to influential business families like Karnaphuli Group, S. Alam Group, A. K. Khan & Company Ltd., and so forth. These sponsors have significantly assisted in the formation and initial growth of the bank in terms of its operations.

Over the years, there have been many changes in the structure of shareholding as some sponsor entities increased their shares, institutional participation took place, and most shares were offered to the public. The entry of institutional shareholders like merchant banks, investment institutions, insurance companies, mutual funds, as well as portfolio managers, helped to increase the credibility of the bank in the market as well as improve the capital structure of the bank. The number of public shareholders also rose as ONE Bank offered more shares to be traded in the stock exchange.

Based on the latest available annual report, the shareholding structure of the ONE Bank PLC can be classified into three main segments, including Sponsor/Directors, Institutions, and General Public. The Sponsors/Directors own a total of about 30.41% of the total shares of the bank, thus having a major influence within the organization. Institutional investors own about 11.05% of the total share, reflecting the confidence of the leading financial institutions in the performance of the bank. The remaining 58.54% of the total shares of the bank are an asset of the general public, including Bangladeshi nationals residing abroad (NRB).

Currently, the ONE Bank PLC is operating with an authorized capital of BDT 10,000,000,000, while its paid-up capital is around BDT 7,346,000,000. Notably, the nominal value of every ordinary share of the company is set at BDT 10. ONE Bank's robust capital foundation enables it to perform satisfactorily in the banking business, including its online operations.

Shareholding Structure of ONE Bank PLC (2023)

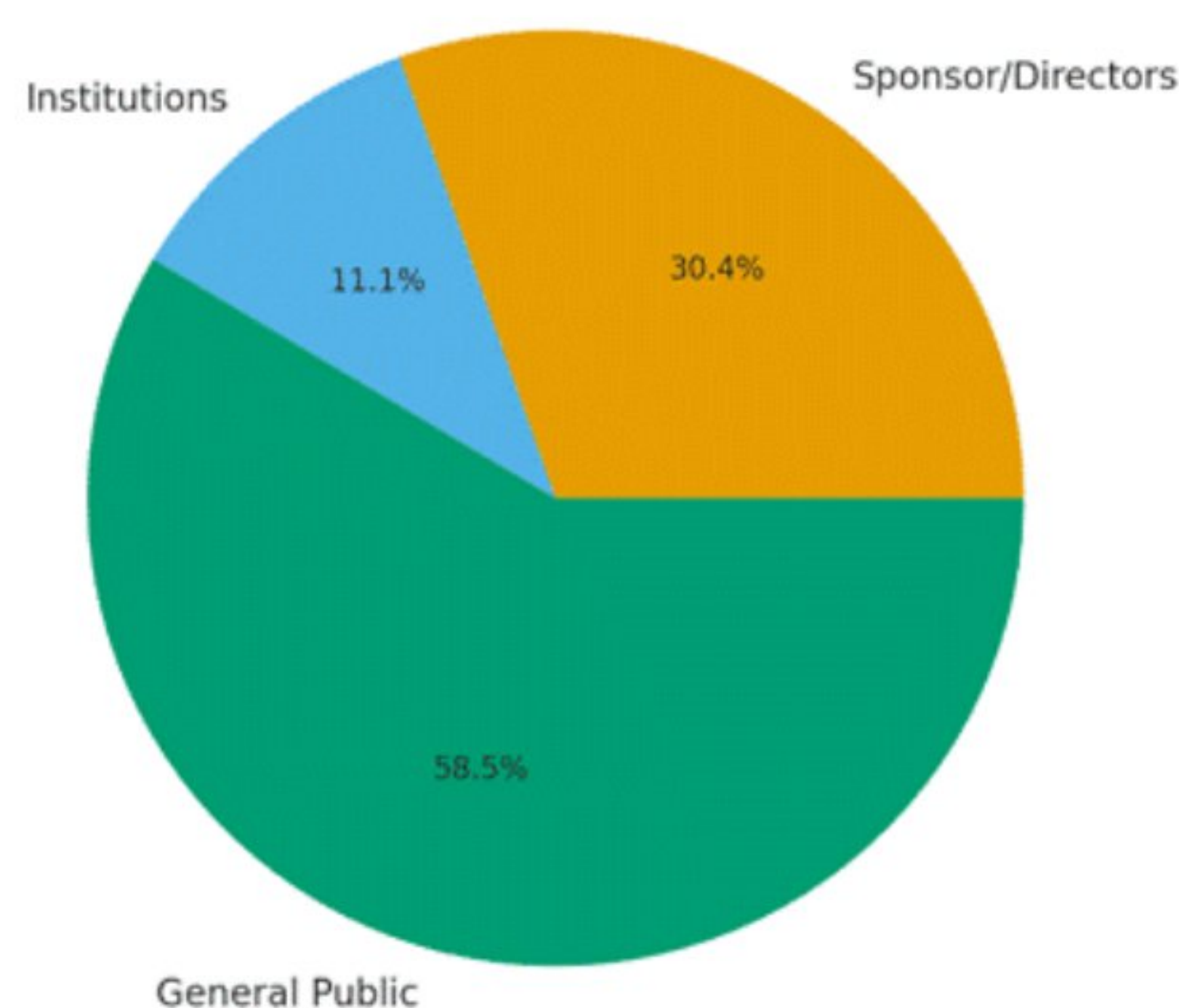


Figure 2 Shareholding Structure of ONE Bank PLC (2023)

Source: ONE Bank PLC Annual Report 2023

2.3 Management practices

The organizational structure of the management of ONE Bank PLC is formalized and structured to ensure operational efficiency, compliance with regulations, and uninterrupted services at its branches and other organizational sections. This is an example of union between centralized policy formulation and decentralized execution at the bank.

2.3.1 Leadership style

ONE Bank PLC can be identified as participative to some extent and also directed as far as management style is concerned. For example, strategic planning, standards of compliance, as well as operational policies, are determined at the top by senior management, whereas the top management only encourages participation in decision-making at different levels of the organization by the respective departmental and branch managers. Moreover, such participation as far as decisions involving risks, compliance, and credit-related matters are concerned is somewhat directed, which might be taken from time to time by top management so as to have uniformity in applying Bangladesh Bank decisions.

2.3.2 Human Resource

Manpower planning, recruitment activities, management of performance, and development of employees are some of the major fields of Human Resource Management in ONE Bank. The human resource management of ONE Bank makes sure that all departments are sufficiently manned based on an analysis of workloads and branch expansion. Manpower planning involves succession planning and annual performance assessment of employees.

2.3.3 Recruitment and Selection Process

Recruitment processes at ONE Bank are a merit system with utmost transparency and equality. The selection of candidates is done on a set of processes right from screening to panel interviews and background verification. The bank itself, for entry level sometimes, often partners with recruitment agencies or advertisements on job websites. Final selection is considered on the basis of requirements of the relevant department of ONE Bank itself, job duties, and professional work experience levels. ONE Bank lays emphasis on recruiting fresh recruits of ONE Bank itself on internship levels being a part of developing a talent pool of professionals for coming times.

2.3.4 Training & Programs

ONE Bank gives prime importance to the development of employees by arranging training sessions on a regular basis by the ONE Bank Training Institute. As part of its training programs, banking operations, credit management, customer service, compliance, AML/CFT, digital banking, and training in soft skills are conducted. On-the-job training, as well as off-the-job training, techniques are utilized in this process to upgrade the technical as well as behavioral skills of employees.

2.3.5 Compensation and Benefits

The remuneration package of ONE Bank is also similar to the general format of the banking sector, which comprises basic, allowances, performance bonuses, gratuity, provident fund, and other financial and non-financial benefits. The bank has periodic updates in remuneration practices to be competitive in the labor market. The performance incentive encourages employees to be productive within the conventional service delivery.

2.3.6 Performance App

Performance at ONE Bank is assessed through an Annual Performance Appraisal (APA) process that provides both fixed and subjective measures. Performance appraisal of workers is carried out according to their understanding of tasks, services delivered, behavior relative to compliance, productivity, teamwork, and customer handling. Supervisors and managers also evaluate workers and determine their performance objectives for the next year.

2.3.7 Working Environment and Communication

The corporate culture is built on the pillars of professionalism, discipline, and services that are also of a customer-centric nature. Internal communications in the business entity are carried out through circulars, emails, team meetings, and reporting sessions. There also exists a two-way interaction among various departments so that services can be provided on time and effectively. Ethics, transparency, and compliance norms are upheld by the management and have added immense value to the corporate culture.

2.3.8 Management Information System (MIS)

ONE Bank PLC has a modern and technology based Management Information System (MIS) to support its banking operations and managerial decision making processes. The bank's operations are based on a common Core Banking System (CBS) that allows real-time transaction processing and smooth communication between branches, departments and the head office.

MIS system enables management to gather, transform, retain and evaluate vital operational and financial data to plan and control effectively. Different departments generate regular MIS reports on deposits, loans, customer accounts, profitability, liquidity and risk management. These reports are useful for the management to monitor the branch performance, employee productivity and to ensure the compliance with the Bangladesh Bank regulations.

ONE Bank also uses digital platforms like internet banking, mobile banking, ATM networks and SMS banking which are integrated with the MIS infrastructure. Information Technology (IT) Division always reviews the security of systems, data backup, cybersecurity and disaster recovery management to ensure uninterrupted banking services.

Moreover, the MIS system facilitates faster communication, reduces operational errors, enhances the quality of customer service and improves decision making by the management. The bank ensures transparency, efficiency and better internal control in its banking activities through automated reporting and centralised databases.

2.4 Marketing Practices

Since this is a private commercial bank and the industry is relatively competitive, the organization employs various techniques to attract and retain customers. While the services provided are relatively similar, ONE Bank differentiates itself by providing customers with superior services and marketing.

2.4.1 Marketing Strategy

The marketing practices adopted by ONE Bank cover a customer-centric approach that encompasses convenience, ease, and reliability. The marketing plan for the bank will cater to an augmentation in digital banking outlets, formulation of better loan and deposit rates, and enhancement in the quality of their services. These practices will target corporate business, small businesses, as well as consumer clients.

2.4.2 Target Customers

Target market for the bank includes people from different segments of the market:

The market will serve consumers who will include:

Retail Customers: salaried individuals, students, professionals, and families

SME Sector: Small entrepreneurs, traders, manufacturers, and service providers.

Corporate Clients: This category involves companies that may necessitate trade finance as well as corporate loans.

Rural Clients: This refers to persons living in rural areas and benefiting from Agent Banking

ONE Bank aims to be a trustworthy and customer-focused bank in supporting the concept of “Service First.” They seek to offer secure, simplified, and innovative banking services for their diverse customers.

2.4.3 Marketing Channels

One Bank uses various distribution channels and communication channels. Mention can be made of the following distribution channels used by One Bank:

Physical Branches: A national branch network also enables customer contact.

ATM/CDM Network: It provides cash withdrawal and cash deposit functionality round the clock.

Digital Banking Platforms: Mobile banking facilities, internet banking, as well as SMS banking facilities, are offered.

Agent Banking: This offers banking services in rural areas.

These channels offer the bank an opportunity to serve a large number of customers.

2.4.4 Product and Service Development

The process is carried out from time to time, based on market observation and customer need, for enhancing existing products or even for a new product. The projects conducted fall under the categories of enhancing the existing ONE Bank App, enhancing the deposit offer, design for SME-favorable loan offer, and many others related to credit card customers.

2.4.5 Branding Activities

The brand of ONE Bank is established through dependence, innovation, and services. The bank has managed to build and maintain their brand through interior designs, signage, corporate colors, formal communication, and service counters. The visibility of the brand is established through corporate events, financial fairs, and sponsorships.

2.4.6 Advertising and Promotion

The bank uses a mix of both traditional and online promotional tools. The bank uses both traditional media such as:

Advertising in newspapers

Social Media Campaigns

The emphasis on website

Outdoor Billboards and Banners

Texting Marketing Email notification for product update Ads:

Ads basically consist of Thing announcements, Rate of interest modification, Internet banking services, or Customer service together.

2.4.7 Digital Marketing

Social platforms such as fb, twitter, etc., basically help in during the youth. In the context of the forthcoming technology-based banking system, a major thrust has been given to the online promotion of ONE Bank. Messages related to services, tips, and awareness are distributed in the form of online platforms such as Facebook, YouTube, and LinkedIn. Online promotion helps in enhancing their mark in front of tech-savvy customers.

2.4.8 Critical Marketing Issues and Gaps

Although the bank is making efforts, there exist some critical issues related to its marketing, like high competition, issues in differentiating the product, and the need to adapt to online marketing. The conventional mode of marketing is quite popular in some industries, while the approach of reaching out to the rural customers is yet to reach its full development stages.

2.5 Financial Performance the Financial conditions

ONE Bank PLC have reflected sustainable growth throughout the past three years. The bank was able to emerge as an entity with a stable deposit base, improve the interest income component, and improve the quality of its regulatory capital component as well. The scale of the balance sheet and the profit dimensions signify that the bank is taking a cautious but steadily growing approach. The gradual increase in the depot deposits of 2023 manifest the stance of the customers toward the bank, and the carefully handled advances depict a prudent approach toward the credit risk component of the bank as well. However, the sustainable profit dimensions depict the bank's inclination toward being within the rules rather than growing or scale. The relevant financials of the bank, reflecting the sustainable growth of the past three years, are presented as follows:

Financial Overview of ONE Bank PLC (2021–2023)

Table 2 Financial Overview

Key Indicators	2021	2022	2023
Total Deposits	~231,123 million BDT	~226,059 million BDT	240,246.87 million BDT
Total Loans & Advances	~222,694 million BDT	~225,866 million BDT	224,334.72 million BDT
Net Interest Income (NII)	~4,151 million BDT	~4,279 million BDT	~4,571 million BDT
Net Profit After Tax	~756 million BDT	~1,392 million BBD	~1,357 million BDT
Total Regulatory Capital	~2,794 crore BDT	~2,896 crore BDT	3,008.89 crore BDT
Tier-1 Capital	~2,000+ crore BDT approx.	~2,100+ crore BDT	2,169.43 crore BDT
Capital Adequacy Ratio (CAR/CRAR)	~12.5–13%	~13%+	13.60%

Explanation of Key Terms:

Tier-1 Capital: The primary/most reliable capital base of the bank. Reflects financial strength and ability to absorb losses while continuing operations.

Tier-2 Capital: Secondary/supplementary capital serving as additional protection during financial stress or liquidation.

Capital Adequacy Ratio (CAR): Percentage that shows how well the bank is capitalized compared to the risks it holds (higher = safer).

Performance Interpretation

There has been a significant increase in deposits for the year 2023, which indicates increased customer confidence, as well as effective liquidity risk management.

Lending activities were relatively stable, reflecting effective credit risk management.

Net Profit shows a substantial rise between 2021 and 2022, albeit a slight decrease during 2023, signifying that the profitability status is positive yet sensitive.

Rise in Net Interest Income indicates an improvement in interest earning power of the bank.

Regulatory capital has been rising over the years and has touched BDT 3,008 crores in 2023, ensuring the overall solvency of the bank and also adhering to the guidelines as per the Basel III accord.

As it has a CRAR of 13.60%, it enables the bank to keep its capital higher than the requirement.

Overall, ONE Bank PLC has a Moderately healthy pace of growth in terms of core capital strength and stable profitability performance, but areas of improvement related to cost competitiveness and e-growth are identified.

2.5.1 Accounting Practices of ONE Bank PLC

One Bank PLC operates on its financial reporting system in compliance with the International Financial Reporting Standards and respective regulations of Bangladesh Bank. Like on the accrual system of accounting, its income and expenses are recognized on the occurrence of those transactions and not on their receipt and payment.

There is a systematic accounting cycle which involves encoding of transactions, preparation of ledger accounts, preparation of trial balance, preparation of ledger adjustments, and preparation of final accounts which is adopted by the bank.

Depreciation on fixed assets is provided annually based on the approved method as described in the accounts. Impairment of loan provision is considered, as per guidelines provided by Bangladesh Bank, keeping it prudent and transparent. The categorization of the loans is carried out in a standardized manner including SMA (Special Mention Account), Sub-standard, Doubtful, and Bad/Loss loans. The reserves for NPLs are provided for the purpose of protection from the risk of credit. This is followed by the financial disclosures relating to the capital adequacy, liquidity ratio, loan portfolio, and risk base assets segmentation for Tier 1 and 2 capitals.

In the latest reporting, ONE Bank illustrated that their Tier-1 capital was BDT 2,169.43 crores, Tier-2 capital BDT 839.46 crores, with a total capital adequacy ratio of 13.60%, which satisfies completely the Basel-III guidelines.

This may be attributed to a variety of reasons. Some of which include poor management or lack of management in some instances. Another significant cause may lie in the fact that there is a lack of an internship report or something similar from students pursuing any given field of interest which would offer a

2.6 Operations & Management Practices of ONE Bank PLC

ONE Bank PLC has an organizational structure that operates within a stipulated framework, ensuring effective banking functions within its branches and online channels. The organizational structure of the bank is centralized through its Head Office, and the branches operate accordingly from a decentralization perspective regarding the authorization of their daily transactions. The bank does the core functions related to branch banking, loan processing, management of deposits, trade finance, remittance, card services, and online banking. The CBS system is quite secured and covers all the aforementioned functions and services.

Activities that have direct connection to the operation of the bank are looked after by other units including General Banking, Credit Risk Management, Treasury, SME Division, ICT, Internal Control & Compliance, HR, Finance & Accounts, and Customer Services. All the above-mentioned units are conducted in accordance with the Standard Operating Procedure as approved by the management and following guidelines provided by Bangladesh Bank. All the operations of the bank are centered around efficiency, accuracy, customer service, and security.

2.6.1 Management Structure

ONE Bank PLC operates under the guidance of a Board of Directors who formulates policies, organizational strategic decisions, and organizational direction. The Managing Director/CEO constitutes the leadership of the executive management and directs the major operating divisions of the organization. Departmental heads are accountable for the implementation of policies, allocation of resources, and organizational performance assessment. The managers of the organizational branches are accountable for business transactions, business performance, and management of respective branches.

Patterns of decision-making reflect the implementation of an top-down policy process. All internal auditing, compliance, and risk management activities carry out their tasks independently so as to enable the needed disciplines to be achieved, thereby bringing cases to the minimum.

2.6.2 The normal banking process chain is applied

"The customer service desk also provides opening of accounts as well as KYC (know-your-customer) procedures for customers."

The Units for cash deposits and withdrawal, cash clearing, and remittance services form the cash and teller units. The loans and advances department checks borrower credentials and does the appraisal and subsequent sanctioning of disbursement based on the credit appraisal. "Back office" processing includes document verification and payment instruction processing. The Division of Treasury is charged with the management of liquidity, investments, and foreign exchange. ICT Division assists to offer secured online banking services and system support. All activities are recorded digitally to reduce mistakes and ensure faster service is delivered. The implementation of CBS and online services has significantly increased the efficiency and tracking of the process.

2.6.3 Customer Service & Digital Operations

ONE Bank offers both traditional and online banking services. These are: mobile banking app (OK Wallet) services, internet banking, ATM/CRM, debit/credit cards, SMS alerts, e-statement, and funds and utility payments. The digitization of the bank reduces the workload at the branches. Literacy and technology might act as bottlenecks here. All customer complaints are attended to through the customer service counters, the customer care number, and online inquiries. Service distribution is constantly monitored to satisfy the customers.



Figure 3 Customer Service

2.6.4 Human Resource & Training Practices

Human Resource is treated as a major asset of the bank. The human resource department is responsible for managing matters related to employee recruitment, training, appraisals, promotions, and employee motivation. Training sessions are organized at the training academy of the bank, and these include areas such as professional development, customer services, compliance, AML/KYC, ICT security, and risk management. Employee appraisals are done annually based on performance, working efficiency, and conduct.

The reward system motivates people towards productivity, whereas some disciplinary measures are necessary so as to keep the work ethics intact.

2.6.5 Risk Management & Internal Control

ONE Bank adheres to guidelines of risk management of Bangladesh Bank in relation to credit risk, market risk, operational risk, and liquidity risk. The risk parameters are constantly monitored by means of dashboards, MIS reports, and internal audit results. Credit approval undergoes multi-layer verification to avoid default risk.

The Internal Control and Compliance unit performs various audits from time to time aimed at identifying a weakness as well as comparing with regulations to avoid improper actions such as fraud.

2.6.6 Evaluation of Operational Efficiency

ONE Bank's operations are organized in a well-structured way and aided by technology. Technology is keeping the manual work minimal and ensuring greater accuracy. ONE Bank's digital banking growth is helping cut down the operation expenses and broaden the services. ONE Bank's operation is becoming more efficient. However, more digital change will help boost the productivity and services.

Fair point - thanks for that correction. Below is a new, simplified comparison analysis for ONE Bank PLC (Bangladesh), using normal bullet points instead of tables, for a summary of Porter's Five Analysis and SWOT Analysis for inclusion in your report.

2.6.7 Potential to enhance services and digital transformation

ONE Bank PLC has come a long way with respect to digital banking and customer service but there still remain areas that present opportunities for further improvement.

The bank's mobile banking application may need to be further optimized to enable a more seamless compatibility with a wider range of devices and operating systems. By improving technical agility, we can make the banking experience seamless for our customers.

It could also extend the ATM and booth network to selected locations to increase customer convenience and accessibility. The increase in digital banking usage will enhance the number of service points and self-service banking facilities, which will improve customer satisfaction and service efficiency.

Improving the quality of service and customer experience can always be better if ONE Bank PLC keep focusing on these aspects with ongoing technological development and infrastructure expansion.

2.7 Industry and Competitive Analysis: ONE Bank PLC

2.7.1 Overview

ONE Bank PLC is a private commercial bank, established in 1999.

It provides a diversified range of banking services: retail banking (savings accounts, fixed deposits, personal loans, home loans, car loans, education loans, and credit cards), corporate banking (trade finance, project and infrastructure finance), SME banking (working capital loans, term loans, start-up loans for small businesses), trade finance services, import/export finance facilities, agent banking services, remittance services, and internet and mobile banking services.

ONE Bank has a vision of a committed and competent team of staff members and is also committed to enhanced quality of life and a quality environment.

The bank is committed to state-of-the-art technology and has a vision. Considering the competitive environment in the banking industry in Bangladesh, with so many banking institutions and new technological advancements in terms of digitalization preferred by customers, there exists a need to identify the position of ONE Bank in terms of industry forces/weaknesses & strengths.



Figure 4 Porter's Five forces 2.7.2 Porter's Five Forces Analysis - ONE Bank PLC

Threat of New Entrants

Since starting operations in banking in Bangladesh requires a lot of capital, compliance with banking regulations, having branching and ATM/digital infrastructure, and gaining customer trust, it's not an easy task to enter the industry.

This hinders the entry of a new bank and therefore has a favorable impact on already existing ones such as ONE Bank PLC. Therefore, the threat of new entrants is moderate.

Bargaining Power of Suppliers

However, Fund suppliers/depositors, suppliers of funds or fund suppliers; technological suppliers/bank systems; human or skilled manpower; and capital suppliers form the set of suppliers for a bank.

Being that online banking and services at ONE Bank are dependent on quality tech and quality human resources, suppliers do have some degree of power.

Consequently, the bargaining power of the suppliers is moderate-the bank has to deal with suppliers and human resource departments carefully.

Bargaining Power of Customers (Buyers)

The customers-retail, SMEs, and corporate-have available to them various alternatives-multiple banks and non-bank financial institutions or NBFIs.

Digital banking, as well as switching, ensures that consumers can easily compare products and switch if better alternatives become available.

Customers, therefore, have medium to high bargaining power. This means that the bank has to be very competitive in terms of their charges at all times.

Threat of Substitutes

Other alternatives would be NBFIs, microfinance institutions, lending and digital financial services based on technology advances, mobile wallets, peer-to-peer lending institutions

With the rising fintech industry and online financial services being introduced to Bangladesh, there is a potential that certain customers might avoid conventional banking channels, especially those who need small/quick loans or online payment options.

This would most probably indicate a moderate to high threat level from substitution, especially in retail and small loan markets.

Industry Competition

In The Bangladesh banking industry is congested—it has so many private banks and public banks and NBFIs vying to obtain deposits, loans (business and consumer), trade finance, et cetera.

It is tough competition based on levels of interest rates, product and service variety, service quality, and online presence.

It is an industry with highly competitive rivalry, which exerts pressure on banks to be different.

Overall Insight from Porter's Analysis

It is a challenging environment with high customer power, competition, and threats of substitutes. An entry barrier and existing infrastructure shield ONE Bank to some extent. ONE Bank is required to leverage their strength to the fullest by having online banking capabilities with diversified service offerings.

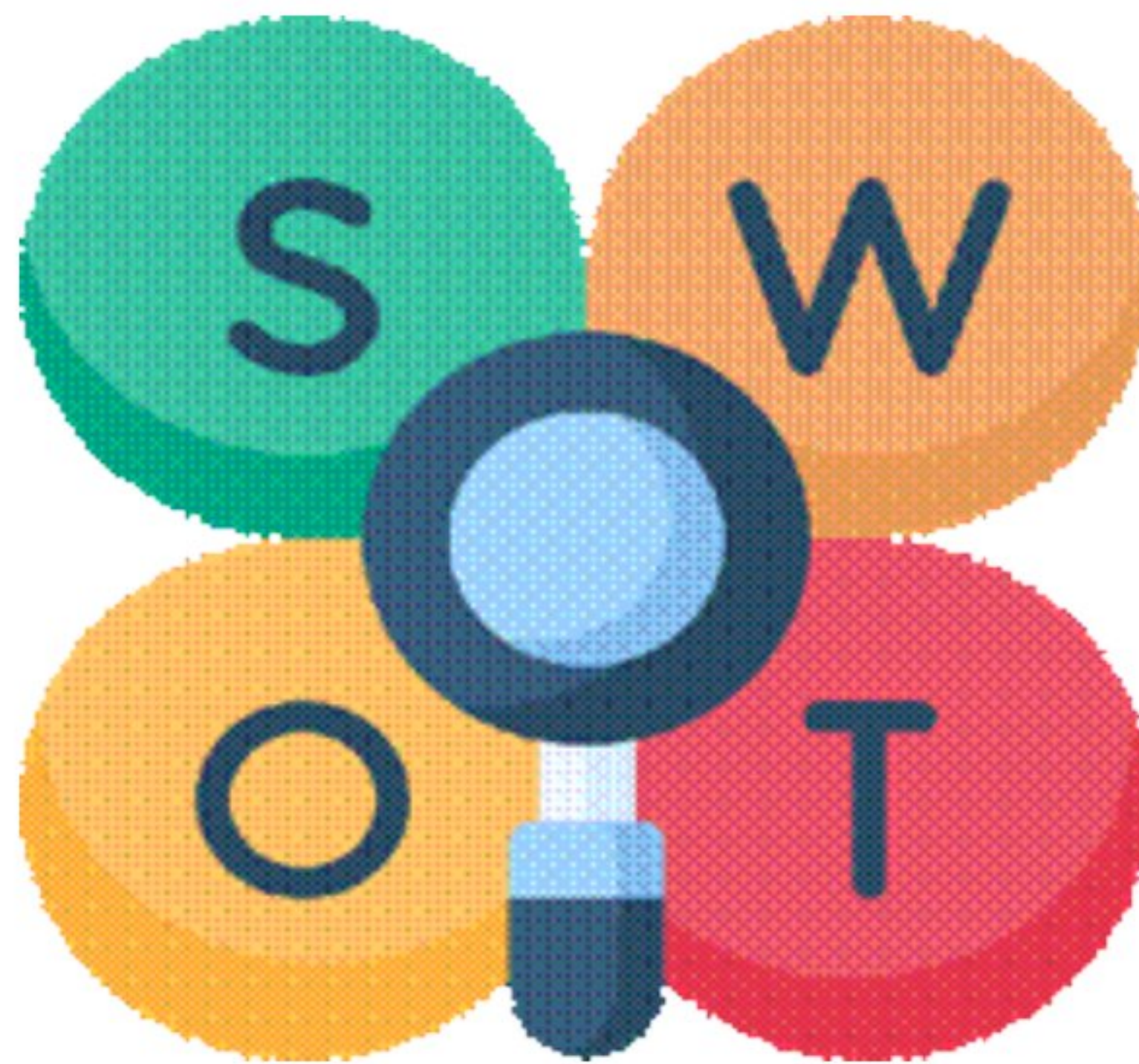


Figure 5 SWOT Analysis

2.7.3 SWOT Analysis – ONE Bank PLC

Strengths

Diversified products/services. The diversified products/services include retail banking, SME banking, corporate banking, trade finance, remittance, cards.

Effective technology and infrastructure: core banking system, real-time banking system with online banking facility through mobile banking and ATMs, disaster recovery center.

Experience in financing key sectors: Involvement in financing sectors like the textile/ RMG sector, which could make use of the export-oriented Bangladesh economy.

Ability to serve different customer segments: starting from retail customers, SMEs, to business customers; therefore, different sources of revenue and the capacity to diversify risks are provided.

Weaknesses

High exposure in specific industries (e.g. textile/RMG) sectors - which can be a risk if these sectors experience downturns.

The requirement for continued investment to maintain and upgrade the technology - increases operational expenses.

There are too many players in the banking sector; this makes it hard to differentiate; when this happens, it means that most of the banks offer the same or somewhat similar services, and the services of “ONE Bank” are now “commoditized.”

Competitive pressures might negatively impact earnings, especially with regards to deposit rates and loan rates.

Opportunities

“Growing SME segment, SME entrepreneurs & new startups in Bangladesh - Opportunity for lending & banking services in the SME segment.”

Increased adoption of technological banking channels by customers; The bank could have used their existing technological infrastructure as a means of attracting techno-savvy customers.

Diversification prospects in new sectors besides the diversified sectors. This would offset risk exposure on an industry basis.

Trade finance, import/ export loans, and remittances from expatriate Bangladeshi nationals - Opportunities for further improving services for business clients as well as NRBs.

Threats

Intense competition from a large number of banks and NBFIs – implying pressure on price/services quality.

Rise in fintech and online financial services, which provide alternatives, especially for short-term financing.

Macroeconomic risk – for example, industry downturns (downturn in the export of textiles), inflation, instability of the economy that might affect the repay ability of loans and banking business volume.

Regulatory risks and compliance concerns; Banking Regulations and Supervision.

2.7.4 Competitive Advantage – What ONE Bank Can Leverage

The presence of diversified offerings (retail, SME, corporate, trade finance products, remittance services, internet banking) is useful for banks to manage risks by banking on more than one customer base instead of targeting one customer base.

Having a strong technology infrastructure in place gives it an edge over its competitiveness in terms of efficiency and convenience and also for the provision of a new age banking service such as online banking, mobile banking, cards, and

disaster recovery plans, which may not be available and delivered in new and smaller banks.

Experience and presence in industrial financing, especially in areas such as textile/RMG that are important to the economy of Bangladesh – thereby creating a niche market of the bank in industrial financing with a monopoly power there based on its uniqueness.

The capacity to serve both small customers (SMEs/Retail) and big business customers in such a way that flexibility is attained depending on the market conditions that fluctuate at different occasions.

Diversification in technology and services would allow ONE Bank to adapt to the prevailing trends that are occurring in the financial markets today (digital finance and fintech innovation) because it would create a sustainable Competitive Advantage if developments continue.

2.8 Summary and Conclusions

A brief introduction of ONE Bank PLC is presented in chapter 2 with respect to its organizational structure, management system, operation procedure, marketing strategy, financial operations, and competitiveness of the market. The importance of some major observations is presented through this research in a number of ways:

Organizational Strength:

The structure of the organization appears to be proper and is run with a proper Board of Directors and a participative management process. The departments are organized in a way that ensures a flawless flow of work and improved decision-making mechanisms.

Operational Efficiency:

Core Banking Solutions and internet banking facilities and other automated operations make it possible to deliver dependable and safe banking services; bank and agent bank branches extend into distant locations.

Human Resource Management:

The bank has realized the need for effective management of the human resource at the bank through activities such as recruitment, training and development, and evaluation of the workforce.

Financial Performance:

ONE Bank depicts a healthy deposit base, systematic regulatory capital accumulation, and moderate levels of profitability over the past three years. This bank is also demonstrating an impressive Capital Adequacy Ratio, exceeding regulatory demands.

Customer Focus and Marketing:

Nowadays, it pursues a customer-focused approach and uses different channels like branches and digital marketing as well as agency banking to target a broader range of customers. Digital marketing/branding campaigns target the technology-aware clientele as well as metropolitan customers.

Competitive Analysis:

In Porter Five Forces analysis, threats of entry and substitutes, and customer power were moderately strong, and competition among the industries is intense. In SWOT analysis, strengths and threats exist in this industry due to competition and government. For above average return, companies must prioritize and overcome these weaknesses in SWOT analysis.

Strategic Position:

The diversified products, technological expertise, and customer service strategy of the bank provide a competitive advantage to ONE Bank. The bank can utilize these features in order to become efficient in their operations, enhance their market share, and maintain them updated with the latest technological advances in the digital world.

Conclusion

One Bank PLC is an established private commercial bank in Bangladesh, which not only maintained efficiency but also embraced technological changes to go along with customer-centric services for being a successful banking institution with appropriate management processes and technological incorporation to remain a resilient entity to adapt to challenging situations for future sustainable growth.

However, One Bank PL needs to keep an eye on diversification through technology as well as sectors.

2.9 Recommendations & Implications

Based on the analysis of the business and the performance of ONE Bank PLC, the following recommendations may be made in order to ensure improvement in the performances at the organizational level and the business positioning:

Improving Digital Banking Services:

Increase investments in mobile banking services, online banking facilities, and artificial intelligence-powered customer care services. Such efforts would enable the company to reduce its reliance on its branches while providing greater benefits and convenience to the customers. Improve online financial services for technically savvy city residents and young individuals.

Enhance Marketing and Branding Differences:

There should be more segmentation of marketing programs in order to reach SMEs, rural consumers as well as high net worth individuals.

Add emphasis on digital media campaigns and social media campaigns for better brand recognition and customer engagement.

Diversify Loan Portfolio:

Less dependent on the high-risk sectors such as the textile industry and RMG sector.

Target the new sectors, SMFs, and Startups.

Establish algorithms for credit scoring and risk-based pricing.

Improve Functions of Business Process:

Add the processing of ordinary branches or back-office transactions to bring about further reductions in the cost base and lower turn around times.

Enable better risk management monitoring and analysis of internal audits by applying data analytics for better decision-making.

Human Resource Development:

There should be more training facilities for digital skills, customer relationship management, and awareness on the aspect of compliance.

Implementation of measures for retaining the employees and incentive schemes based on their performance can prove to be useful in ensuring that employees stay motivated.

Customer-Centric Innovation

This Launch innovative financial products/services based on customer data insights.

Improve feedback channels to better serve customers.

Strategic Partnerships/Collaborations:

Analyze partnership possibilities with fintech companies, payment solutions providers, and international banks to expand service areas and enhance technological capabilities.

Engage with Corporate Social Responsibility activities to enhance the reputation of the bank with the community.

Implications

With these proposed initiatives, it would enable ONE Bank PLC to acquire a competitive edge over others to eventually increase their profits as well as satisfy more customers. They would also be able to remain successful despite the competition imposed by their surroundings as well as customer expectations.

Chapter 3

Project Part

Relationship Between CEO Compensation and Non-Performing Loans

3.1 Introduction

Banking in Bangladesh is an important sector in terms of exercising a strong influence on mobilizing financial resources for economic growth in Bangladesh. But over the past ten years, Bangladesh banking faces a challenge in terms of an extraordinary increase in Non-Performing Loans (NPLs). High default loan levels cause a weakening of financial stability, a declining profit margin, an increase in provisions, a low creation of fresh loans, resulting in a slowdown of economic growth. Reports in various financial journals identify Bangladesh's highest level of Non-Performing Loans in South Asia.

There are several determinants which influence NPLs in the context of existing research. These include the quality of the loan portfolio, economic downturns, customer profiles, the repayment mindset in the society, the level of enforcement of regulations, and risk management strategies. However, in the context of the thesis research on comparatively less researched in the context of Bangladesh is the role of top management compensation, specifically CEO compensation, in determining loan default and its effect on asset quality.

In corporate governance literature, it has been hypothesized that compensation packages could shape C-Suite executives' motivation levels, strategic decision making, and risk-choice patterns. It could happen that paying a higher salary package could induce CEOs to be more aggressive in their approach to expanding their loan portfolios. This could be a breeding ground for a rise in NPL levels. It could also happen that incentive schemes could induce executives to be more prudent in their loan approval processes. Having taken into consideration the level of severity and the increased relevance posed by the results derived for governance-based determinants, the aim of this project is to analyze whether there is a statistically significant impact of CEO remuneration on Non-Performing Loans in Bangladesh, after employing data from four selected commercial banks during 2022-2024.

3.1.1 Background & Problem Statement

The banking industry of Bangladesh has been one of the most effective supporting pillars of its economy and has been instrumental in mobilizing financial resources and facilitating investment for both the private and public sectors. However, during the course of the previous decade, it has come under criticism for its unexpectedly large Non-Performing Loans. High NPL ratios have resulted in lower profits for banks and have eroded capital adequacy ratios. This state of affairs persists despite regulatory measures by Bangladesh Bank, such as improved rules for loan classification and rescheduling and tighter supervision.

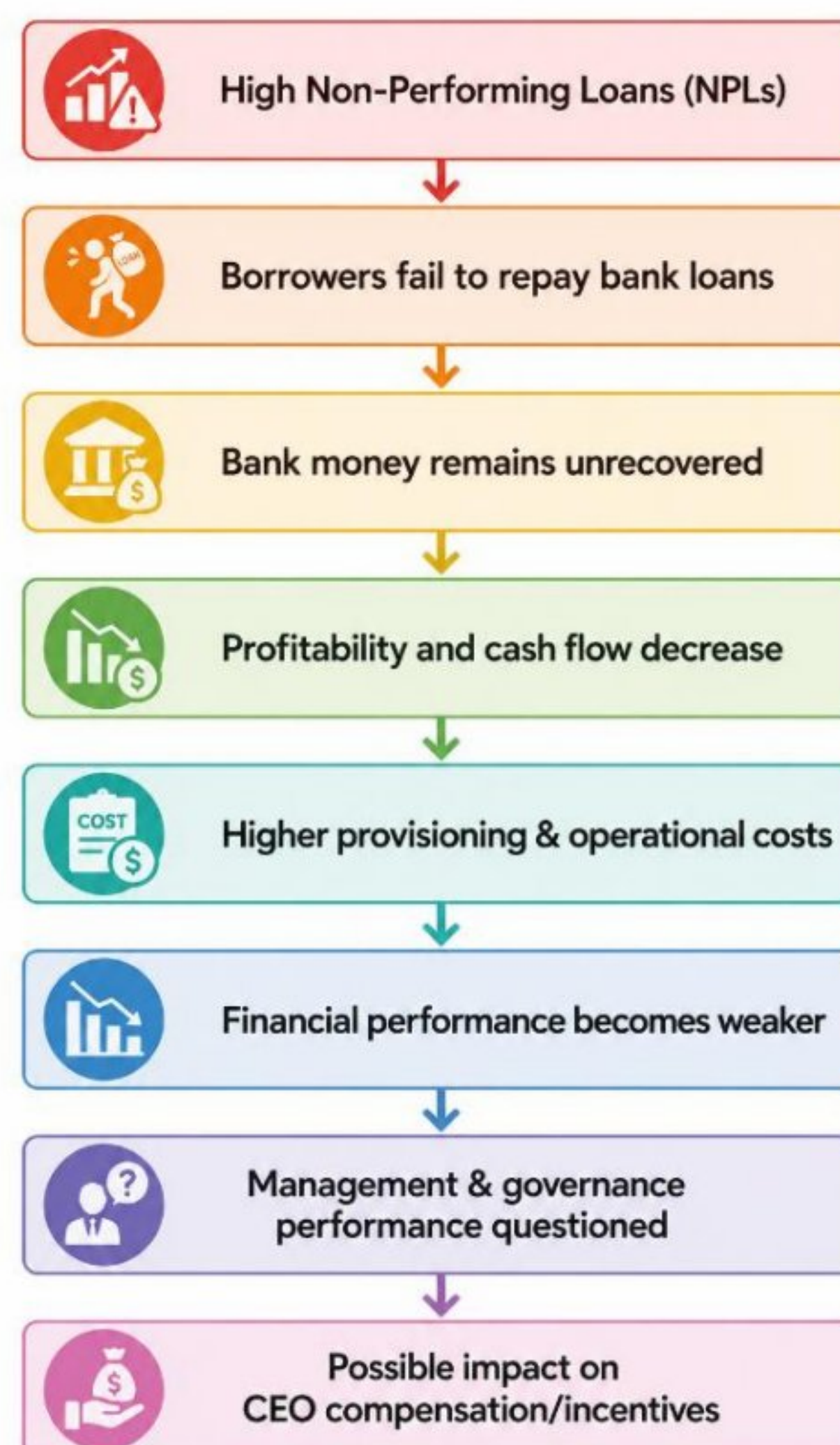
Recent studies reveal that various intrinsic variables like management incentives, governance structure, and ownership could influence loan portfolio performance significantly in banks. Of these variables, CEO salary has been highlighted as one of the most important and interesting variables. The compensation and incentives of the CEO could significantly influence management decision-making. Very high pay rewards could cause CEOs to take high risks in order to reach short-term financial objectives. At the same time, low CEO salary could result in low motivation towards monitoring credit strictly. But in terms of Bangladeshi banks' NPL performance and its relationship with CEO salary, very few studies have been conducted.

Besides the incentive of bank managers, other factors linked to corporate governance are also responsible for variations in the quality of loans. Banks with close ties to the government are often forced to extend politically motivated loans, thereby causing the possibility of default to increase. Family-owned firms, too, may affect the lending process through family interests, not through banking principles. Further, poor corporate governance, like ineffective audit committees, a non-independent Board of Directors, and poor Board supervision, further contributes to exposure to risk because of a lack of accountability in the lending process.

Against this background, it is essential to examine the relationship of CEO compensation and its interactions within governance institutional features and politics/ownership factors on NPL performance. The extant literature in Bangladesh is mainly associated with macroeconomic determinants of NPL performance. The study gap emerges in this scenario with an inquiring interest in internal managerial variables in Bangladesh. The proposed study attempts to address this gap through its panel analysis among four different commercial banks from 2022 to 2024, including CEO compensation and related institutional variables to determine different aspects of NPL performance.

Why NPL may affect CEO compensation

A high ratio of Non-Performing Loans (NPL) means that many borrowers are not able to repay their loans to the bank. This creates a financial burden for the bank as a lot of money is stuck with the borrowers who have defaulted. This reduces the bank's profitability and increases provisioning and recovery costs, thus weakening the financial performance overall. As the CEO compensation is often related to the bank performance, profitability and governance outcomes, high NPLs may indirectly affect the executive compensation decisions. In this paper, we explore the relationship of CEO remuneration with NPL performance of banks in Bangladesh.



3.1.2 Research Question

Secondary Research Question

Does CEO compensation affect the NPL ratio of commercial banks in Bangladesh?

3.1.3 Objectives of the study

Primary Objective

“To analyze the existence of any significant relationship between CEO compensation and Non-Performing Loans (NPLs) in selected commercial banks of Bangladesh”.

3.1.4 Significance of the study

This research has tremendous importance for a variety of reasons, both theoretical and practical:

Solving an on-going national problem: One of the most urgent issues concerning financial stability in Bangladesh, with regard to which very few countries can compare, is the level of non-performing loans (NPLs) in this country. By finding key internal factors, this study contributes to an explanation to why there are so many NPLs in Bangladesh despite regulations in place.

Filling a research gap: Though determinants of NPLs have been extensively explored across the globe, very limited studies were conducted in Bangladesh on the effect of CEO compensation and incentives of managers on loan quality. The current study enhances the body of knowledge with the inclusion of compensation of management, political connections, ownership structure, and corporate governance.

Supporting banking sector reforms: The resulting insights can assist Bangladesh Bank and the policymakers in improving the guidelines for corporate governance, improving the accountability level of the top management level, and aligning the compensation package of the management with the financial health of the company.

Benefits to banks and stakeholders: The findings of this study could be useful for boards of banks, their shareholders, as well as their audit committees in making an assessment of risk of NPL based on their compensation practices. Knowledge of internal factors that are associated with NPL risk will assist management in improving mechanisms of loan approval, monitoring, and recovery.

Academic value: The above study lays a solid groundwork for future studies on banking risk, governance, and incentives. Students and scholars can use this study as additional reference material for further academic pursuits.

3.1.5 Scope of the Study

The significance of this study lies in understanding the internal factors that influence Non-Performing Loans in the scenario of four chosen commercial banks in Bangladesh from 2022 to 2024:

Time Frame: It will examine the data over a three-year duration (2022, 2023, and 2024), enabling the analysis of short-term changes that may exist for the NPL ratio and the managerial compensation.

Sample Selection: Four banks were chosen based on the data available, relevance, and representation of various bank ownership structures, whether private, family, or connection politics.

Variables Included: River These key variables are CEO salary, political connections, dominant family ownership, board independence, as well as corporate governance quality. NPL ratio is employed as an indicator for measuring asset quality.

Date Type: This study is based on the exclusive use of secondary data which is obtained on the basis of audited financial statements, annual reports, corporate governance disclosure statements, and documents published by Bangladesh Bank.

Exclusions: This paper does not study macroeconomic variables such as economic growth, inflation, unemployment, exchange rates, or sectoral shocks. It also does not cover the micro-level data of the borrowers because of the confidentiality concerns. The findings are specific to the banks considered within the sample, and it may not be a perfect representation of the entire banking sector.

Purpose of Scope Limitation: By restricting the domain of investigation, it becomes possible to examine in-depth the variables concerning the inner determinants of management in the company.

3.2 Literature Review

NPLs have generally been considered a leading factor for banking stability, while their causality and impact have been examined extensively, particularly for emerging economies, under the light of institutional factors and governance issues. (IMF, 2019; World Bank, 2020).

3.2.1 Determinants of Non-performing loans

Initially, empirical research focuses on macroeconomic factors like GDP, inflation, unemployment, and interest rate volatility as key drivers of non-loan defaulting patterns (Nkusu, 2011). Downward trends in economic progression reduce the ability of borrowers to repay, resulting in increased non-performing loan ratios in banking sectors. But macroeconomic factors do not fully account for the significant variation of non-performing loan ratios among the different banks within the same macroeconomic environment.

As a result, the more recent papers on the topic concentrate on the following factors specific to banks:

Based on the arguments given by Berger and DeYoung (1997), poor management translates into poor credit assessment and poor credit monitoring as well, thereby increasing the number of loan defaults. Aggressive expansion and poor risk assessment are good predictors of high NPL ratios, especially in developing countries (Ghosh et al., 2015).

3.2.2 Corporate Governance & NPLs

One of the critical factors, which has emerged in becoming a risk factor in banks, is corporate governance. Effective corporate governance structures ensure higher levels of accountability and ultimately exposure to risks (Macey & O'Hara, 2016). The inefficient structure of corporate governance is otherwise responsible for imprudent lending, inopportune loan classifications, and ultimately rescheduling of non-performing loans.

Below are the hypotheses that were developed for the research:

NPLs are significant and negatively

In terms of Bangladesh, government failure has been appearing consistently as one of the causes of the continually high NPL ratio. In order to assert the preceding argument, it has been observed through conducting an empirical study by Hossain, Rahman, & Golder in 2025 that the lack of monitoring or not performing the proper audit procedure increases NPLs immensely in banks of Bangladesh. The political connections element has given more weightage to the already present default risk caused by moral hazard, which was generated due to favorable loans (Khwaja & Mian in 2005).

Family ownership structures are also characterized by an inconsistent trend. Even as ownership concentration enhances commitment, excessive family control gives rise to poor board independence and the absence of professional management and credit risk.

3.2.3 Executive Compensation and Bank Risk-Taking

The agency theory argues that the compensation package of the executive has a vital concern in determining how the interests of the executive and those of the shareholders can be properly aligned. This is as a result of the implied theory presented by Jensen & Meckling in 1976. A desirable compensation package has a tendency to lure the executive to focus on stability. Overpayment has a tendency to lure the executive to focus on profiting.

Nevertheless, there is no conclusive evidence available on the correlation between CEO pay and NPLs. On the one hand, it is discovered that high pay generates both high performance as well as effective risk management, whereas on the other hand, a strong correlation is discovered between the higher risk of a bank and high pay (Fahlenbrach & Stulz, 2011). Currently, there is no literature available on the correlation between CEO pay and NPLs in the case of Bangladesh.

3.3 Methodology

The methodology applied in this study is quantitative research where the link between CEO pays and the NPL ratio will be investigated using particular banks of Bangladesh. The secondary sources of information were employed to collect information using the audited annual reports, financial reports, and Bangladesh Bank reports for four chosen banks such as NRB Bank Ltd, Trust Bank Ltd, Sonali Bank PLC, and Prime Bank PLC for the years 2021 to 2023. Here, the NPL ratio is considered as the dependent variable while the monthly salary of the CEO is an independent variable.

3.3.1 Research Design

The current study is of the quantitative and analytical type. This is consistent with the format of a business study required by BRAC University. The primary aim of the current study is to determine the relationship between CEO compensation and NPL.

3.3.2 Sample Selection

For the research, the study is conducted by taking a sample of four commercial banks in Bangladesh. The commercial banks included in the study are NRB Bank Limited, Trust Bank Limited, Sonali Bank PLC, and Prime Bank PLC. The selection of the commercial banks is done considering the availability of the data, the commercial banks' consistent reporting, and the representation of state-owned commercial banks as well as private commercial banks in the banking industry.

For the study, the study period is fixed between 2021 and 2023. However, in the calculation of the Non-Performing Loan (NPL) ratio, the data is used between 2021 and 2023, considering the availability of complete data for loan classification. The selection of the data is done in such a manner that the panel data is available for the study of the relationship between CEO compensation and asset quality performance.

3.3.3 Data Sources

The study is completely based on secondary data. The required data was collected from the following sources:

Audited annual reports of the selected banks

Income statements and financial statements disclosed by the banks

Corporate governance statements

Publications/statistical reports published by Bangladesh Bank

In particular, the required CEO salary data was collected directly from the official income statements and notes to the financial statements disclosed in the audited annual reports of the respective banks. In other words, there was no need to use any specific technique to approximate the required compensation data because the compensation data was disclosed publicly by the respective banks in their financial statements disclosed in the audited annual reports.

The audited financial reports of the respective banks are used in this study to ensure transparency and accuracy in the required data, including CEO compensation and NPL ratios.

3.3.4 Variables

Table 3 Variables

Dependent Variable	Independent Variable:
Non-Performing Loan (NPL)	CEO Compensation (in BDT per month
	Control Variables (Conceptual): Bank size, Bank, Profitability, Capital Adequacy, Loan growth, Governance-related attributes

3.3.5 Data Analysis

Methods for describing statistics and comparative trend tests were employed for the analysis of the NPLs at the various banks over the different years. Both are more exploratory than the traditional approach, where direct causal links are derived rather than mere associations.

3.4 Findings and Analysis

3.4.1 Trend Analysis of NPL Rate

The results demonstrate a wide variation of NPL ratios among the selected banks. Sonali Bank shows a consistently high NPL ratio, which may be due to the usual organizational problems of the nationalized banks (Bangladesh Bank, 2023). Prime Bank shows a stable NPL ratio with lower percentages, which reflects their better management of credit risks. NRB Bank and Trust Bank portray an ascending trend of NPL in recent years, emphasizing a growing concern regarding their possible assets. The results are in line with existing researches which infer higher default risks based on governance and excessive credit expansion (Ghosh, 2015). Differences in the ratios of NPLs in different banks point to inconsistencies in the handling of credit risk and bank governance. Inconsistencies in the trend suggest that management efficiency plays a crucial role in the effectiveness of lending practices.

The discrepancies indicate that CEO pay cannot be used as an independent factor for explaining the differences in NPL performance.

3.4.2 CEO Compensation and NPL Performance

The findings regarding the relationship between the pay of the CEO and NPL ratios reveal that there is no discernible relationship between the two. If the CEO's salary were to have any influence on NPL ratios, then there should be a consistent trend in all the banks. But the findings suggest otherwise since sometimes the NPL ratio increased even when the CEO's salary was high, while other times the NPL ratio decreased or stayed the same.

3.4.3 Role of Governance Factors

The evidence would show that influence, ownership, and poor governance structures matter to floppy NPL levels relative to other compensation structures. In this regard, it gives emphasis to the postulated idea invoked by Hossain et al. in 2025 that Bangladesh banks are governed by loan performance dependent on good governance structures.

3.4.4 NPL Ratio Comparison (2021-2023)

Table 4 NPL Ratio Comparison

Bank	Year	Total Loans	Classified Loans	NPL Ratio
NRB	2021	40244	1364	3.39
NRB	2022	49491	1592.18	3.22
NRB	2023	60071	2992.63	4.98
Trust	2021	—	—	—
Trust	2022	298376.45	14212.22	4.76
Trust	2023	332703.58	20215.31	6.08
Sonali	2021	690596	11970	1.73
Sonali	2022	86604	12839	14.82
Sonali	2023	102399	13546	13.23
Prime	2021	263015	12713	4.83
Prime	2022	296481	10132	3.42
Prime	2023	315293	11168	3.54

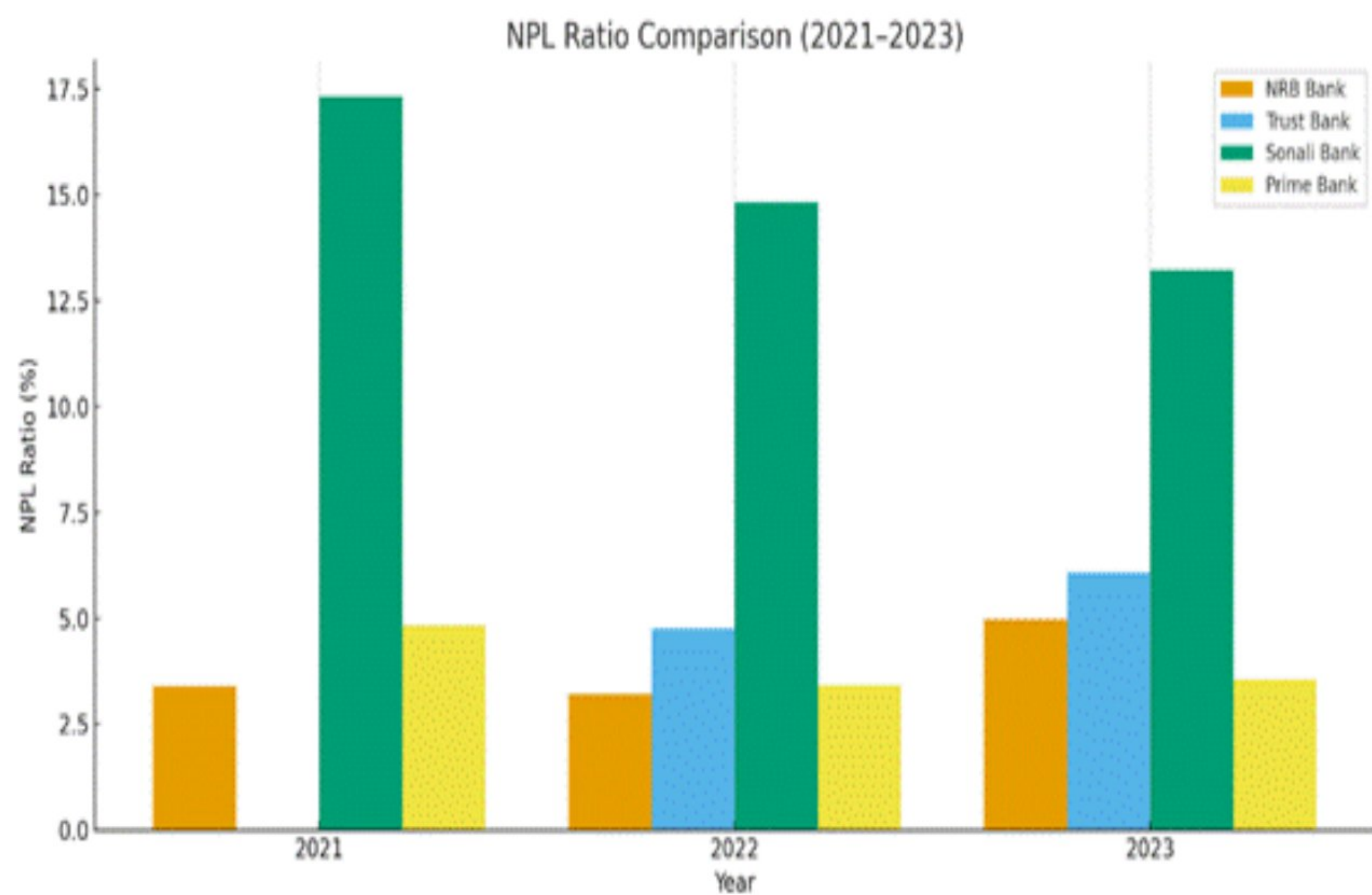


Figure 6 NPL Ratio Comparison

Description

The graph showing “NPL Ratio Comparison (2021–2023)” is a comparative analysis of the Non-Performing Loan (NPL) ratios of different banks in Bangladesh, including NRB Bank, Trust Bank, Sonali Bank, and Prime Bank, for a period of three years. The graph is useful in explaining the position of credit risk and the quality of loans of those banks in 2021, 2022, and 2023 through an analysis of their positions related to changes in their NPL ratios.

The NRB Bank shows an oscillating nature in terms of NPLs. The bank started with an NPL of 3.39% in 2021, which showed minor improvement to 3.22% in 2022. However, this minor advancement was not maintained, and the NPL ratio escalated to 4.98% in 2023. The rising pattern indicates that the bank has faced difficulties in terms of loan defaults or loan recovery in the previous year.

Now, looking at Trust Bank, it is a different case. The reason is that there were neither any NPLs mentioned for the year 2021. As such, on the graph, it is highlighted from 2022. For 2022, for Trust Bank, its NPL ratio stood at 4.76 percent. However, for 2023, it elevated to 6.08 percent. The reason for such percentages is that there is worsening credit performance.

Sonali Bank, the largest public bank, maintained the same position as the bank with the highest ratio of NPLs among all the banks compared. It had a remarkably high ratio with 17.32 percent NPL in 2021; still, the performance is improving over the years. However, the ratio dropped to 14.83 percent in 2022 and reduced even further and reached 13.23 percent in 2023. Still, the current situation is high and reflects the same old problems in the form of improper loan management.

Prime Bank performs relatively better compared with the others regarding NPL performance. The NPL ratio of Prime Bank was 4.83 percent in 2021. Later on, it reduced to 3.42 percent in 2022 and then remained stable at 3.54 percent in 2023. The reason why Prime Bank performs better is that it has efficient credit risk management processes compared with its competitors.

The above graph highlights the different levels of credit risks possessed by the four different banks. Although Sonali Bank still has high NPL issues, NRB Bank and Trust Bank are also gradually showing signs of being a cause of concern in recent years. Nevertheless, Prime Bank has been having a remarkable performance in terms of loan quality.

3.4.5 CEO Salary

Table 5 : CEO Monthly Salary

Bank	Year	Annual Salary (BDT)	Monthly Salary (BDT)
NRB	2021	9,532,144	794,345.33
NRB	2022	12,396,429	1,033,035.75
NRB	2023	13,660,604	1,138,383.67
Prime	2021	12,846,774	1,070,564.50
Prime	2022	16,531,694	1,377,641.17
Prime	2023	17,554,863	1,462,905.25
Sonali	2021	14,375,350	1,197,945.83
Sonali	2022	20,931,298	1,744,274.83
Sonali	2023	20,987,543	1,748,961.92
Trust	2021	11,587,556	965,629.67
Trust	2022	13,188,230	1,099,019.17
Trust	2023	4,337,500	361,458.33

Does CEO Salary affect NPL

Table 6 Effect of CEO salary on NPL

NRB Bank Limited			
Year	CEO Monthly Salary (BDT)	NPL Ratio	Observation
2021	794,345	3.39	Moderate NPL with moderate salary
2022	1,033,036	3.22	Slight NPL decrease with salary increase
2023	1,138,384	4.98	NPL increased despite higher salary
Trust Bank Limited			
2021	965,630	—	NPL data unavailable
2022	1,099,019	4.76	Moderate NPL with high salary
2023	361,458	6.08	NPL increased sharply while salary dropped

Sonali Bank PLC			
2021	1,197,946	1.73	Low NPL despite high salary
2022	1,744,275	14.82	Very high NPL despite salary increase
2023	1,748,962	13.23	Slight NPL improvement but remains high
Prime Bank PLC			
2021	1,070,565	4.83	Moderate NPL
2022	1,377,641	3.42	NPL decreased with salary increase
2023	1,462,905	3.54	NPL relatively stable

It has been shown that there is no correlation between the remuneration paid to CEOs and Non-Performing Loans (NPLs) on an annual basis. For example, in relation to NRB Bank (2023) and Sonali Bank (2022), although the remuneration of CEOs was relatively high, the percentage of NPLs remained high as well. On the other hand, the percentage of NPLs dropped even though CEO remuneration was relatively high in the case of Prime Bank (2022).

3.4.6 Comparative Analysis of CEO Salary and NPL Ratio

To examine the relationship between CEO salary and Non-Performing Loan (NPL) ratio, year-wise panel data (2021–2023) of NRB Bank Limited, Prime Bank PLC, Sonali Bank PLC, and Trust Bank Limited were analyzed.

A. Descriptive Statistics

(i) CEO Monthly Salary (BDT)

Table 7 Descriptive Statistics

Statistics	Value (BDT)
Mean	1,166,180
Median	1,118,701
Maximum	1,748,962
Minimum	361,458

(ii) NPL Ratio (%)

Statistics	Value (%)
Mean	6.21
Median	4.87
Maximum	14.82
Minimum	1.73

Interpretation:

The average monthly salary of a CEO in 2021-2023 is found to be around BDT 1,166,180. The minimum and maximum values vary widely, from 361,458 to 1,748,962. Similarly, in the case of NPL ratios, there are wide variations from 1.73% to 14.82%.

3.5 Summary and Conclusions

According to the results obtained from this study, there is no correlation between the payment of CEOs and the NPL ratio for the selected banks. This is because the result of the study depicts contradictory trends whereby the increase or decrease in CEO remuneration does not translate to any predictable trend in the performance of loans. Thus, CEO remuneration cannot be used to justify the differences in NPLs in the different institutions.

3.6 Recommendations & Implications

3.6.1 Policy Implications

Bangladesh Bank must enforce the regulations of corporate governance effectively, especially related to accountability and transparency of the compensation of the executive.

3.6.2 Managerial Implications

Banks can and should devise performance contracts for their CEOs based on their long-term asset quality and NPL ratios.

3.6.3 Governance Reforms

Reducing government interference, as well as curbing the over-influence of family members, is necessary for enhancing the quality of lending and financial stability.

3.6.4 Academic Implications

The current paper fills the gap in existing literature on the topic of executive remuneration and banking risk in Bangladesh and paves the way for future studies on the subject by employing larger samples and models.

Last but not the least, instead of concentrating on executive pay, banks should prioritize improving their corporate governance structures, bettering their credit risk analysis process, and upgrading their internal control systems.

Instead of concentrating on executive pay, banks should prioritize improving their corporate governance structures, bettering their credit risk analysis process, and upgrading their internal control systems.

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