ABSTRACT

This study is carried out to investigate the nature of relationship between board composition in shape of Board Size (BS)&number of Non-Executive Directors (NED) withNon-Performing Loans of the bank for a sample of 18 Pakistani banks from 2005 to 2013.The efficient estimator Generalized Method of Moments (GMM) has been used to estimate the regression analysis. The study finds that board composition in shape of board size and number of non-executive directors performs a significant role for bringing down the non-performing loans of the bank and there against the credit risk is mitigated. The negative association between BS and NPLs suggest that larger board size devise balanced and credit risk averted policies. The results suggest that with greater number of non-executive directors increase the NPLs' of the bank. In Pakistan scenario, the outsiders/NEDs are more concerned to increase short term performance of the bank and take high risks. This factor resultantly increases the credit risks for the bank in long run.

JEL classification:G21; G32; G34; O16; G34; G35

Keywords: Non-performing Loans, Board Composition, Credit Risk, Corporate Governance