

Corruption in Bangladesh Banking and Financial Sector: A Qualitative and Quantitative Assessment

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DOI: <https://dx.doi.org/10.47772/IJRISS.2025.915EC00728>

Received: 28 July 2025; Accepted: 01 August 2025; Published: 30 August 2025

INTRODUCTION

The problem of corruption in the Bangladesh's banking and financial sector is deeply embedded problem that is hampering the growth, stability in the financial sector and lack of trust in the citizens. Bangladesh has always been in the league of world's most corruption prone nations; for example, the country only managed a score of 24 out of 100 points based on the corruption perceptions index 2023, 149 of 180 countries (1). In comparison, India scored 39(ranking 93), Pakistan 29(ranking 133) and Nigeria 25(ranking 145) same index (2,3). Such indicators point to the magnitude of Bangladesh's governance deficit and provide the background for discussion of corruption in its banking sector (see Table 1). Corruption in banking here means the misuse of entrusted power to pursue private gain in financial institutions – bribery, fraud, loan embezzlement, favouritism in credit allocation and regulatory capture.

Table 1. Corruption and Banking Indicators in Bangladesh and Peer Countries (2023)

Country	CPI Score (2023)	CPI Rank (2023)	Bank NPL Ratio (2022)
Bangladesh	24	149	9.0% (4) (overall) (22% in state banks) (5)
India	39	93	~5% (improved from ~11% in 2018) (6)
Pakistan	29	133	~7% (state bank NPLs up to 15%) (7)
Nigeria	25	145	4.2% (post-2009 reforms reduced) (8)

This paper gives a detailed qualitative and quantitative analysis of the level of corruption in the banking and financial sectors in Bangladesh. It builds on previous analysis with the use of demonstrable evidence from credible sources (Transparency International Bangladesh, World Bank, Bangladesh Bank, IMF, academic research etc.). We outline the manifestations of corruption, review significant case studies, measure the effects through the use of financial figures and compare Bangladesh's situation with other nations with similar dilemma (for example, India, Pakistan and Nigeria). The paper is in a two column journal layout with data tables and figures for clarity. Figure 1- is the historical trend of NPLs in Bangladesh's banks as one of the quantitative indicators associated with corrupt lending. In the end, we provide evidence-based conclusions and policy advises both in bid to curb corruption and to improve governance in the financial sphere.

Figure 1: Development of Trend of Non-Performing Loan (NPL) ratios in Bangladesh's banking sectors over time. In many instances, high NPL rates pint to corruption and interference in lending by government. In the 90s Bangladesh banks were brought down by bad loans – NPL ratio spiked around 35% around 2000, but reforms modestly enhanced asset quality by 2010s (to 8% in 2020). Nevertheless, NPLs continue to be high (~9% in 2022), way out of the considered 2-3% manageable, with lingering problems of 'deliberate loan default' and fraud that blight the sector.

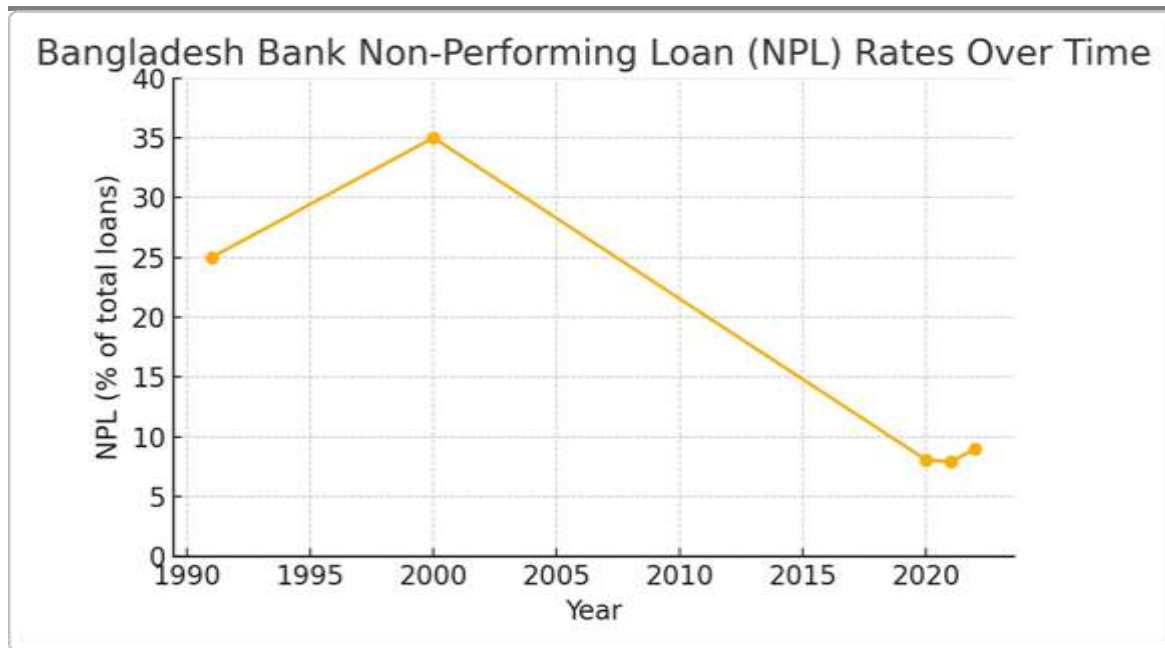


Figure 1: Trend of Non-Performing Loan (NPL) ratios in Bangladesh’s banking sector over time. Higher NPL rates are often symptomatic of corruption and poor governance in lending. In the 1990s, Bangladesh’s banks were crippled by bad loans – the NPL ratio peaked around 35% in 2000 – but reforms modestly improved asset quality by the 2010s (down to 8% in 2020) (9). However, NPLs remain elevated (~9% in 2022) (4), far above the 2-3% considered manageable, indicating persistent issues such as “deliberate loan default” and fraud that plague the sector (10) .

LITERATURE REVIEW AND BACKGROUND

Readers of voluminous literature would recognize the extent to which corruption now permeates Bangladesh’s banking sector to establish a culture of impunity and inefficiency. Transparency International Bangladesh (TIB) has recorded phenomena of systematic governance failures that support the occurrences of fraud, loan default and money laundering. The “bank and non-bank financial sector of Bangladesh has long been devilled by scandalous corruption in the form of deliberate loan default, swindling and money laundering”, says TIB, with one scandal after another “allowed over the years to become a part of the country’s bank loan culture” (10). Corruption institutionalization is a recurrent theme – unethical practices are diversified – at various levels – politically driven bank appointments, routine bribery in loan ‘sanctioning’. In the analysis on banking governance, TIB noted that despite nominal autonomy, Bangladesh Bank (the central bank) had “become non-functional in controlling defaulted debts by succumbing to leadership inefficiency while political influence has taken an institutional form”, powerful business syndicates effectively “capturing” regulatory authority (11,12). This shows how informal patronage networks leave formal rules undermined, with insufficient enforcement.

From academic researches, political interference and poor regulatory measures are the causes of banking corruption. Khwaja and Mian (2005) in groundbreaking research of Pakistani banks found that politically connected firms received 45% larger loans despite having a 50% higher default rate than unconnected firms (13). The same dynamics can be observed in Bangladesh: many big loan defaulters are powerful businessmen/fun seekers with political connections that use what they have to secure loans without any intention to pay them back. According to A study in -The Daily Star- ‘the ones supposed to keep corruption in check are often the most corrupt themselves’, an evil cycle of impunity (14). The politicized appointments take away the little regulatory oversight that exists – senior jobs in state owned banks (and even central bank) are often given out on the basis of political loyalty. Until the end of the previous chairman’s term, the Ministry of Finance affirmed the appointment of directors and CEOs of state-owned banks with few banking experiences, which undermined independent oversight(15,16). As one analysis put it, “Bangladesh Bank’s supervision and regulation gradually declined ‘ because of capacity gaps both in internal structures and irregularities , their only recourse being weak leadership’ because of political pressure (17,18).

Global form of financial institutions have also studied these issues. An IMF assessment diagnosed “structural weaknesses in supervision, regulation and governance, coupled with high NPLs and low capital in state-owned banks,” but stated a worrisome scenario, where unless the problems of governance are addressed, the agenda and growth prospects of Bangladesh’s banking sector would be dragged down(19). The World Bank and Asian Development bank have pointed to progress in reducing NPLs during the 2000s, but warn that these advances were frequently engineered by credit growth or rescheduling rather than actual improvement in governance (20). As a matter of fact, quantitative indicators still raise red flags: as 2022, the official data is about Tk 120,649 crore (approx. \$12 billion) non-performing loans in the banking system (21), however, its independent estimates that the actual volume of stressed assets when the rescheduled loans and write-offs are added are much higher (22). From 2009 –2019, defaulted loans increased 417% (raising to approximately Tk 3 lakh crore including off-book items), while total lending increased 312% over the growth period (23). This imbalance suggests that a large proportion of the new credit simply went bad, meaning deliberate defaults and fraud.

In a nutshell, the literature portrays a depressing image of a banking sector where poor governance has facilitated misbehavior. Key factors include: Political interference (causing crony lending and lack of accountability, regulatory weaknesses and enforcement failures, collusion by bankers (from junior officers to board members) in fraudulent loans, inadequate legal repercussions on offenders. Each will be discussed at length through case studies and data in later sections. The watchdog organization of TIB and other qualitative accounts, coupled with quantitative measures (e.g. high NPL ratios, large capital flight figures), reveal a full picture of how corruption works and the magnitude to which it affects Bangladesh’s financial system.

METHODOLOGY AND APPROACH

This research study uses a mixed qualitative-quantitative approach. Qualitatively based on documented case studies, investigative reports and expert analyses it seeks to understand the how and why of corruption in the banking sector. Research reports by such sources as Transparency International Bangladesh’s, media search (e.g. the Daily Star, New age, Prothom Alo), and academic papers are used in building narratives of big banking scandals and governance failure. We incorporate the extended direct quotations from these sources to present the contextual richness and the precise language of observers and stakeholders. An example of this would be by quoting TIB that “none of the kingpins of the [banking] scandals has been brought to account” and that big defaulters “have secured for themselves an ever-increasing lobby power, to hold the government and the central bank hostage” (24,25), to give a clear picture of the climate of impunity. Quantitatively, the paper examines data of financial indicators and datasets of corruption and bank performance. Notable indicators are the ratio of NPLs in per cent to total loans, the volume of defaulted loans, capital adequacy ratios of banks etc as well as the more general corruption indices and estimates of money laundering. Throughout the analysis the author uses the data from official reports of Bangladesh Bank (e.g., Financial Stability Reports), IMF and World Bank publications and researches by local think tanks. For example, we tabulate over time (Figure 1) and across countries (Table 1) an NPL ratio to benchmark Bangladesh’s situation. We also include data concerning illicit financial flows: New estimates from TIB would indicate that between \$12–15 billion is siphoned out of Bangladesh annually through banking channels and trade mis invoicing (26,27). This gaping outflow (roughly ~5% of GDP every year) offers a financial scale of corruption.

We have also structured our findings into thematic sections, that see narration evidence combined with data. Specific bank violations incidents’ case studies offer practical examples and messages. The impact section integrates how these corrupt practices deliver economic end results and social benefits. An international comparison section contextualizes Bangladesh by comparing like patterns in other countries. Throughout, we use a neutral, evidence-driven voice appropriate for an academic paper and the two-column convention is used in the final form elaborating text accompanied by tables/figures. All sources are referenced in-text and in a consistent way, as well as a full reference list is included to provide transparency and enable further reading.

Case Studies of Banking Sector Corruption in Bangladesh

A string of troubling banking scandals in Bangladesh in the last two decades has revealed a wide range of corrupt practices – from loan fraud to money laundering to the theft of money from virtual accounts. We expand below

on several infamous cases, using the findings of investigations and official inquiries to illustrate the mechanisms of fraud and institutional weaknesses revealed.

Hall-Mark–Sonali Bank Scandal (2012): In the Hall-Mark Group scandal, the largest state-owned commercial bank in the country Sonali Bank was involved – as is often cited, a textbook example of bank fraud. By falsifying documents and working with bank officials, Hall-Mark and related groups hijacked about BDT 35 billion or close to \$450 million in loans (28,29). The scam was able to hide for many years because of “archaic manual systems” and absence of IT-based controls in Sonali Bank (30). It uncovered some big faults when it was uncovered in 2012: branch level managers had sanctioned massive loans based on fraudulent letters of credit and no one was monitoring the fact that “clearing was going against Sonali continuously for months due to loan increases in a branch” (31). The Hall-Mark case did not only lead to a financial loss but also “a deep dent on the confidence and trust of the customers of the bank”, analysts noted (32). Following it, a number of bank officials were arrested, and reforms were suggested (such as automating banking operations, and beefing up supervisory powers of Bangladesh Bank) (33, 34). Progress in holding the true masterminds responsible, however, was constricted.

The history of Bangladesh shows the wide array of the forms that corruption can take with a wide array of highly-profiled banking scandals emerging over the last two decades including fraudulent donations, money laundering as well as cyber-based thefts. The cases indicated below, backed-up by investigations findings and official reviews, show the patterning of fraud and systemic vulnerabilities brought to the fore.

BASIC Bank Loan Frauds (2009–2013): At a time when a chairman was being selected for political reasons, BASIC Bank was nearly bankrupt because of rampant fraudulent releases of loans. A total of BDT 45 billion was advanced in the form of loans to shell companies and risky borrowers who did not deliver adequate collateral between 2009 to 2013. Findings from the central bank showed a trend of irregularities and high indications of bribery when approving the loans. TIB observed that in this particular scandal, and many more, it was observed that “Bogus and impersonal entities” were presented with the capabilities of submitting for loans and protection of their true owners behind nominees. When investigations cleared that the scheme was tainted by senior management and board members, the investigations came to a halt. TIB vented frustrations owing to lack of big perpetrators to be blamed, only low-level officials being made to suffer. The BASIC Bank case is a straightforward example of how the political patronage can shield those to blame:”, the bank’s chairman was allegedly believed to have favorable connections with influential figures in politics, and investigators alleged that he prevented his prosecution (35). Among the repercussions, there was a dramatic increase in the non-performing loan ratio at BASIC, touching at 55% and it received government support to ensure that did not go bankrupt.

Islami Bank Bangladesh Ltd (IBBL) Embezzlement (2022) S.ALAM & NABIL GROUP: In the last months of 2022, several reports appeared over substantial embezzlement at Sharia-compliant banks IBBL, Social Islami Bank, and First Security Islami Bank. Reports indicated that over BDT 900 billion had found its way to various entities linked to one conglomerate through proxy accounts. The S Alam group committed the country's biggest bank fraud by using their political, business, and law enforcement institutions. They grab most of the Sharia bank and use the bank money for their own business, also sent them abroad to buy by property and other assets. Most scary is the central bank governor also connect in this bank hist group. early 10,000 officers, mostly from Patiya in Chattogram where the S Alam Group is rooted, have been recruited in the Islami Bank since the transition in its ownership in 2017. S Alam Group Chairman Mohammed Saiful Alam and his family have acquired vast wealth at home and abroad, using money siphoned off through loans taken in the name of front companies, according to an investigation by the Anti-Corruption Commission. Since then this business conglomerate and Nabil Group from Rajshahi have taken out Tk 500 billion through known and anonymous persons and entities in seven and a half years. The amount is one-third of the bank’s total loans.

No rules were followed to withdraw this money. The bank’s officials believe that the actual amount of money laundered from the bank is higher than the loan information available so far It was a blow to experts, but TIB warned that it was only a tip of an even bigger problem (10). She issued loans to namesake shell company, which had nothing but name behind it and swiftly reclaimed or washed away as essential internal control apparently undermined by the weight of influential major shareholders. Dr Iftekharuzzaman, Executive Director of TIB,

said that this pattern shows that there is a dominance of untraceable “beneficial owners” who will be passed on the ability to plunder banks in Bangladesh because the country does not have a system of transparency of beneficial ownership (36, 37). This case further brought out the malice of the Central Bank not to enforce regulations, Not even in the face of increasing financial concerns about IBBL did the central bank approve restructuring plans and even refused to announce public measures against the so-called perpetrators, which kept up a trend of protection for top bank owners.

Money Laundering via Banking Channels: Another big but not direct corruptions aspect is the immense outflow of dirty cash abroad. As reported by Global Financial Integrity and TIB, illicit remittances and trade-based money laundering have caused billions to be siphoned from Bangladesh annually over the last decade, with the loss running in between \$12–15 billion per annum. Such institutions as banks play a prominent role in these outflows, due to insufficient control or complicity (26,27). TIB argues that “during decades the Bangladesh Bank has operated as an enabler for financial corruption and money laundering processes”. It is not immune to such illegal activity the Financial Intelligence Unit at the Bangladesh Bank (27, 38). Noteworthy examples of where the flaws were being exposed included .

Bangladesh Bank Reserve Heist (2016) – Though the major culprit was outside hackers, it revealed internal cracks in the SWIFT security and ensured that people would be concerned about possible insider collaboration. In that event, Bangladesh Bank lost \$81 million from its foreign reserves account at the New York fed. It only made the situation more striking, as the fact that it did not adhere to the pattern of usual insider corruption, there was a delay in, and ineffectiveness of, investigations as well as lack of local accountability, uncovered more rooted governance faults.

NAGAD MFS Emoney fraud: The Anti-Corruption Commission (ACC) claims to have found preliminary evidence of Tk2,356 crore in corruption and laundering at the mobile financial service provider Nagad, following a raid at its Banani headquarters today (12 February).

The raid came just over a week after the Bangladesh Bank had initiated legal action against Nagad's former chairman Syed Mohammad Kamal, ex-MD and CEO Tanvir Ahmed Mishuk, and 22 others (32). According to documents, e-money will be issued against the same amount of money to be deposited in banks as per the agreements signed between the Directorate of Posts and the Third Wave Technology in 2017, but the administrator team found Nagad issued e-money against an additional amount of 6.45 billion (33).

These studies highlight certain consistent trends in every case. More often than not; staff or board members of the bank colluded with outsiders here to defraud the institution. Underground dealings depended on counterfeited paperwork and invented organizations, which indicate the institutional flaws in the verification of customer identities, as well as the need for due diligence. Remarkably, law enforcement efforts were lackluster – TIB reported that minor infractions were met with minor staff consequences, with major insiders, protected by political lobbying, not held to account (39,40). Just as the big guns involved in Hall-Mark, BASIC, and IBBL's scandals have escaped justice, most often by using protracted litigation or private back-room deals. Cases where bank fraudsters have “coerced authorities into granting further favors or protection”, particularly, the pursuit of loan rescheduling or bailout deals strengthen this culture of absolution (27). There is hence a moral hazard – wrongdoers feel emboldened to commit more misdemeanors without fear of punishment.

Impacts of Corruption on the Banking Sector and Economy

The repercussions of entrenched corruption in banking are far-reaching, compromising not only the stability of financial institutions but also the broader economy and public welfare:

Weakening of Financial Stability and Bank Soundness: The impact of corruption through loan defaults has contributed to severe deterioration of banks' financial health. Non-performing loan balances undermine banks' profitability in terms of missed interest and higher provisioning cost and their capital strength. In 2022, Bangladesh gross NPL ratio was almost 9%, which is equivalent to the usual maximum ceiling, about 3-5% (41). State-owned commercial banks have also borne the brunt of this problem – with 22% (9) of their lending falling under the category of non-performing in 2022 (5), partly due to being used as key players in politically driven

lending, and bearing the brunt of major corruption schemes. According to the IMF, the accumulation of unresolved bad debts in the banking system is endangering the stability of the entire economy and within a short period the problem may grow to pose a threat outside the sector. In an attempt to avert an all-out meltdown, the government has, time and again, intervened with public money to shore up weak banks (in effect, a bailout), which is a drain on helpful investments (42). Unrecovered loan dollars that would otherwise be available for lending instead divert capital from businesses and farmers, thus slowing expansion and investment in productive activities. Every taka tied up in unrecovered loans is money not available for new lending to businesses or farmers, thus stifling investment and growth.

Fiscal and Economic Costs: Where corruption destabilizes banks, the public sector often pays. Since state banks are owned by the government, there has been a need for unnecessary rounds of capital injections. Take for example, the government injected capital to correct the capital deficits that arose after scandals in the BASIC Bank and Sonali Bank. This intervention immediately burdens taxpayers with an economic one. Also, massive levels of money-laundering and illicit capital flight (over \$10 billion a year) take vital reserves such as national savings and foreign exchange reserves (26). This causes currency instability (taka depreciation) and constrains domestic investment resources, hence the economic growth being reduced. A 2024 review underlined that there had been resilience in some segments of the economy (43,44), but “there remain significant weaknesses in the financial system”, made worse by a 15 year crescendo of unchecked corruption. Endeavoring to give the final view, corruption in banking functions as a hidden tax shifting resources from the public to a set of corrupt elites leaving the economy less efficient.

Undermining of Trust and Financial Inclusion: Bank is built on trust. The regular news of fraud and corruption slowly erodes that public belief in financial institutions. Poorly endowed individuals are apprehensive about their savings, and confidence in banks’ (32) financial recording gets diminished. It bears mentioning that according to experts, there was not only an economic damage caused by the Hall-Mark scam, but such scam has also inflicted serious damage to customer confidence and trust. Dissociation of trust between clients can lead to the disuse of banks preferring cash or other non-bank alternatives, eventually undermining the momentum to achieve greater market penetration. Although progress has been made in increasing access to banking services, substantial failure or financial instability of the banking sector could counteract this accomplishment. People’s Leasing in 2019 for instance is a reflection of how the misconduct resulted into near-bankruptcy of numerous non-bank financial institutions (NBFIs) causing thousands of retail investors to lose confidence on other NBFIs or banks. Re-winning public confidence depends on demonstrating to citizens that the banks provide protections from “political and business cronies” who steal depositor money every day (45,46).

The Finance Recycling and Implications to the Private Sector: Corrupt practices disrupt the right distribution of credit. It is commonly the case that financial institutions are willing to issue loans to businesses that have strong contacts or can offer bribes, rather than to the most promising or trustworthy entrepreneurs. This means that striving businesses, which do not have relationships (small and medium-sized enterprises), are either discluded from credit or might face higher interest rates, while those with contacts manage to get bigger loans that most certainly are not returned. Such misallocation in the long run can sift away the aggregate growth prospects by not allocating capital to the most productive uses, and it tends to amplify inequality as elites grow at the expense of the broader population. The banking sector in Bangladesh is reported to favor multinational firms by the World Bank, strengthening dominant positions in industries, while leaving fledgling businesspersons under-served, and with corruption playing a major role in this lopsidedness. Furthermore, constant high NPLs restrict banks’ ability to provide credit thus creating a scarcity in available funds, which will dismantle genuine borrowers and businesses.

Institutional Degradation and Governance Cycle: Weak institutional governance is the originator and holder of a massive corruption phenomenon in the banking sector. What is usually meant by this “institutionalization” of the corruption, as indicated by TIB (14), is usually the fact that capable people with the necessary experience in opposition of such corruption are marginalized or lose their morale. Some experienced bankers might want to resign or emigrate from public banks and head to countries of meritocracy. Nepotism therefore consolidates itself with officials and managers being appointed or advanced more by bribery or favor than on merit or accomplishment. This creates a vicious cycle: Poor governance leads to enhanced rates of corruption creating a

vicious cycle that adds more challenge to good governance. The Anti-Corruption Commission (ACC) and the judiciary become caught up in this spiral – important bank fraud cases are prolonged for long lengths of time, often due to systemic corruption in the legal system or political pressure. Investigations into Nigeria’s banking crisis focus on the fact that when courts cannot hold corrupt bankers responsible, it represents a weak judicial process, where cases are stalled by round after endless rounds of dismissal, appeals, and retrials (47,48). Bangladesh faces a comparable situation; If effective punishment is not practiced, trust in the rule of law is reduced.

In total, these impacts tremendously undermine Bangladesh’s attempt to accelerate its growth rate and middle-income status. Relatively efficient financial sector intermediation relies heavily on the banking sector, corruption which seizes the banking sector will have ripple effects in several sectors of the economy. The IMF staff report (2023) clearly states that the banking domain is a vital factor in macroeconomic stability, and better banking reforms are required to strengthen financial resilience and warns that poor bank governance might paralyze medium-term growth (19). As practiced by local economists, stubbornly “leaky” default loans are often represented as a “leaky roof” – as long as they are unresolved, possible economic achievements can be ruined (49). Therefore, the fight against corruption in banking transcends ethics and compliance matters and is an urgent economic need.

International Comparisons: Lessons from India, Pakistan, and Nigeria

The fight that Bangladesh has with the banking sector’s corruption concern is common to many countries, especially the emerging economies ones. Comparative analysis of Bangladesh with countries like India, Pakistan and Nigeria as well can help us see retrospectives, learn from what has worked (or failed) in the application of various reform approaches elsewhere.

India: The 2000s recorded India’s public sector banks with a public haggles over the non-performing assets due to politically motivated loans and several major cases of fraud. The Punjab National Bank (PNB) Scam of 2018 is arguably the most prominent scandal of the year, as Nirav Modi and Mehul Choksi, with the assistance of PNB officials, deceived the bank of \$1.8 billion in bogus guarantees. This scam which featured “fraudulent guarantees, bribery, and international money laundering” triggered a range of reforms in India’s financial and regulatory sector (50). It exposed glaring loopholes: The culprits bypassed regulation mechanisms because they were given a go-ahead from bank staff to facilitate SWIFT payments throughout the network (51). In turn, the Indian authorities applied a double strategy – on the one hand, imposing harsh penalties (including arrests and attempts to extradite criminals) and, on the other one, reforming the system – by making credit guarantee systems more simplified, and launching professional units against fraud and introducing Insolvency and Bankruptcy Code 2016 for acceleration of debt recovery. After these reforms India’s gross NPL ratio was able to decrease from 11.2% in 2018 to around 5% by 2022 and then down to 2.5% by 2024 (6,53) which is a record low over 13 years. This improvement is attributed by observers to better recovery mechanisms and tougher governance in the public banks bearing in mind the effectiveness of policy reforms. Nevertheless there are problems: India’s anti-graft body and media write about instances of smaller scale bank frauds, highlighting the need for continued awareness. Bangladesh should focus on changing its institutions for similar issues. India’s passing of a bankruptcy law and increased independence of the bank boards as regards bad debts (not letting politics drag non-performing loans on).have been critical in reigning in the problem.

Pakistan: Since many years, Pakistan was plagued by corruption and political influence in its banks, particularly prior to the sweeping sector reforms of the early 2000s. Analyzing data from the 1990s(13), Khwaja and Mian (2005) revealed that state-owned banks repeatedly provided special loans to politically connected firms generating high levels of defaults at the turn of the century. The government’s use of conscription to fill its desired military quota ended in the 1970s, but it has since been replaced by voluntary recruitment. At this time, the army has also been transitioning from the Cold War idea of countering Soviet expansionism in South Asia to insurgent counterinsurgency in Kashmir. This was apparent when the army began to expand along the Line of Control in Kashmir. The army had begun to focus on local militants and guerillas. In the late 90s and early 2000s, the army was involved in most anti-insurgent operations in Baloch Pakistan undertook significant reforms: It got rid of several big banks, reinforced and incorporated the National Accountability Ordinance to counteract deliberate defaulters into the oversight of the Central Bank in the late 1990s. Such actions resulted in major

improvement – the NPL ratio of Pakistan’s banking sector decreased to approximately 6-7% (7) in 2022. However, the tendency to resort to political connections continues. From time, scandals come up like cases where there has been write-offs to political elites, or board positions for politically connected people. Pakistan’s example shows that reforming ownership patterns and legal frameworks may help, but where a bigger undertaker of change is not in place, corruption may continue or change form. One of the notable steps taken was the revelation of their names and the initiative taken by the same institution to revive the losses from leaguered borrowers, and in some cases, this measure has not produced positive results. The similarities with Bangladesh are obvious; In both cases, dominant, strong individuals control the distribution of bank credit. Pakistan’s low wins show that empowering the unbiased regulators to make more decisions and limiting the direct government control in banking can reduce chances for corruption.

Nigeria: Nigeria is an example of a country that was burdened with a massive banking corruption crisis, which reacted with strong actions even though there are long term issues. Great levels of insider abuse in the 2000s resulted in Nigerian banking system standing on the edge of bankruptcy in 2009. The detected fraudulent activities were, as the result of an audit by the Central Bank of Nigeria (CBN), massive in nature and committed by many CEOs and executives (55). CBN Governor Sanusi Lamido Sanusi reacted by firing and prosecuting the CEOs of several banks, giving them liquidity to avert the banks and came up with AMCON to clean up bad loans. Sanusi severely criticized the use of euphemisms like “bank failure” arguing that the proper phrase should be the “banks were destroyed”. ‘The banks didn’t fail, but were done in by particular people. They didn’t speak about a failure – they were killed and that does not recognize the killers and their identity (56,57). This necessary measure portrays the commitment taken by Nigeria towards eliminating corruption. This led to the unusual positive result of at least one of five bank CEOs who were charged and convicted of their crimes (47). The stability of Nigerian banks was restored in 2011, while the official number for non-performing loans dropped below 5% (58). In Nigerian experience, firm, accountable action against corrupt bankers proved to work; removal of bad management and punishment of the guilty was a strong message. Nevertheless, it is not easy for progress to bone up itself in Nigeria; Due to the slow judicial processes, so many cases being hampered, and some experts cite that some politically connected debtors succeeded in evading conviction. Although it has made some progress, Nigeria still remains poorly placed on global corruption-perception metrics (CPI score 25 equivalent to Bangladesh), being hit by new challenges such as forex round-tripping in Banking. However, events in the 2009–2011 period demonstrate a remarkable attempt made to break impunity, with which effective regulation and sustained judicial follow-through is necessary. Bangladesh, which has so far been far more lenient on bank fraudsters, might draw inspiration from Nigeria’s tougher approach – for instance, by establishing a special commission or tribunal for financial crimes to ensure swift justice.

Several (though few) recurrent themes are discernible across these analyses:

Strengthening Regulatory Autonomy: In all these three countries, the essential step was to guarantee that there would be no political pressure on the central bank and the regulators to operate. At some points, India’s RBI, Pakistan’s SBP, and Nigeria’s CBN were under strong pressures from influential groups. Giving Bangladesh Bank a clear autonomy to monitor every bank including those belonging to the state has been advised by IMF and is needed for the country to develop (59,60). For example, changes in law like the ones in the form of proposals by IMF(60) on the Bank Companies Act may be needed as well as dividing oversight functions of the Ministry to ensure the operation of central bank is autonomous.

Legal and Judicial Reforms: Good anti-corruption laws and specific bodies (Pakistan’s National Accountability Bureau, India’s courts under IBC, or Nigeria’s special tribunals help with efficient managing difficult financial cases. Bangladesh should form a Financial Sector Crime Unit under ACC or create a special fast-track court against loan default and bank fraud to accelerate justice. Political willingness to hunt down and prosecute high-ranking people is essential– a predicament that numerous other countries have endured – and have been careful to avoid.

Transparency Measures: More openness in sharing data prevents corruption. The Indian government now always publishes a list of willfully defaulter individuals. Nigeria created a credit register and required banks to report their real owners. Bangladesh has indeed done something in this regard by, by being influenced by IMF, agreeing to declare the beneficial owner of firms that are contracted for public ventures (61). With a complete

Beneficial Ownership Register for large businesses and financial firms, in the same way advised by TIB, it would bring down the cloak of anonymity for shell companies behind the loan scams (62,37). The Financial Action Task Force's emphasis on beneficial ownership transparency - indeed, for this very area of concern, a practice that accords with best practices internationally.

Cultural Change and Governance: Using technical solutions only is not enough, we need to create an atmosphere of integrity. The privatization efforts in India and Pakistan merely succeeded to curtail overt political interference for private owners can pursue misconduct (like Bangladesh IBBL scandal which came after privatizing). Therefore, improving the corporate governance – priority on appropriate director qualifications, robust audit committees and the protection of whistleblowers – should be a topmost need. (63) Decades of corruption were attributed by the central bank in Nigeria to “web of money and power”. In the long term, public support for formulating the required reforms was essential to success. A counterpart public policy may be helpful in Bangladesh by presenting the objective of reforming banks as protecting people's money from corrupt elites.

respond Bangladesh may incur unique challenges but there is enough in common with the experiences of other countries in different aspects for policymakers to learn from successes and failures of others. The constant glimpse is that anti-corruption efforts are not limited to fragmentary actions, comprehensive reforms in terms of enforcement, transparency, and institution building are required for the true dismantling of long-established corruption.

CONCLUSIONS AND POLICY RECOMMENDATIONS

Consistent corruption in banking and the financial system of Bangladesh requires decisive and persistent policy changes. Looking at the range of corruption, this assessment shows that it is widespread, going from everyday graft and unjust promotion to big-ticket fraud and erodes, both economically, and the trust individuals have in the institutions. However, experience through the cases of the international world and estimations of experts lead to optimality: The consistent political corruption currently under way can be averted through clear political will and an adequate package of policies.

Evidence-Based Conclusions: The qualitative and quantitative findings combined exemplify the following principal conclusions:

1. Governance Failure at Multiple Levels: The persistence of banking corruption in Bangladesh suggests a set of governance failures at the heart of political, regulatory, and corporate institutions, rather than a few corrupt individuals. Political influence has eroded the capacity of banks to be led and questioned whereas failures in regulatory enforcement have enabled bad practices to persist.

2. Culture of Impunity: It is there some sort of an insidious culture of impunity for people who engage in financial crimes. From TIB's point of view, powerful individuals who cause bank-related scams are rarely made responsible. Instead, the individuals of influence have succeeded in intimidating the government and central bank by dominating (25). This impunity fuels repeat offenses. Ensuring strong legal parameters in finance is a major priority, as there is no real deterrent, any proposed reforms will find it hard to make an impact on-ground.

3. Economic Drag: While in terms of corruption ethics and legality are involved, it is in its ultimate form inseparable from the economy. The report points out that high NPLs and capital flight are constricting Bangladesh's GDP growth, creating barriers for financial inclusion, and creating fiscal problems. To maintain its development course, Bangladesh has to do something to better its banking sector.

4. Public Demand for Reform: Surveys show that the general public is both knowledgeable and frustrated by banking corruption. It's a silent support of reform because people speak about preserving their savings and introducing a just financial environment. By magnifying public sensitization in terms of civil society participation, media focus, and political conversation, one is in a position to disproportionately steer the forces that are currently blocking reform.

By considering these crucial revelations, we provide recommendations and reform mechanisms that tie back to

the research and analysis we have carried out.

Strengthen Regulatory and Supervisory Capacity: Grant the Bangladesh Bank absolute control over supervising banks (achieved by means of legal reforms that remove ministerial control) and strengthen it extraordinarily on an operational basis. Some of the critical steps include the deployment of more advanced supervisory methods (risk based supervision) (64), enhanced tightening of loan classifications regulations [ending forbearance that covers up non-performing loans] and enhancing the Bangladesh Financial Intelligence Unit to be more proactive concerning money laundering. The central bank should be empowered to dismiss bank directors or managers who engage in misconduct: decisive where necessary.

Establish an Independent Banking Commission: Following the lead of experts (65), form one high-profile commission made up of prominent experts to check out banking sector irregularities and suggest necessary changes. From examining major loan defaults and scams, identifying lacuna in regulation that enabled them, and publishing information about declared defaulters and miscreants, this Commission serves its mandate. Its mandate should include proffering suggestions for legal changes and reform, similar to the one executed by commissions established during the earlier financial emergencies.

Beneficial Ownership Transparency: Put in place a comprehensive Beneficial Ownership Register through all the companies and financial institutions, without delay. By that taking this approach Bangladesh will comply with the world's best practices and address the widespread menace of anonymously shell companies used in bank fraud (62,66). Parliament should pass a law, requiring the reporting of the ultimate beneficial owners of companies which acquire loans exceeding a specified ceiling, where lying with the truth being charged as a crime. Further, it would be possible to use the adoption of the Common Reporting Standard (CRS) for automatic exchange of financial information (67) to follow and identify hidden assets abroad.

Reform State Bank Governance: Take politics out of the boards of directors and management of state owned banks. Establish a nomination committee, inclusive of the central bank and independent parties, to evaluate and determine the state bank CEOs and directors based on those with the needed banking knowledge as well as credible track records. The committee managing nomination policies (68) should be empowered to put into effect its recommendations. In addition, implement a performance evaluation framework for state bank executives, with recapitalized funding conditional on meaningful governance reforms (in the hope of reducing the moral hazard of continued bailouts).

Accelerate Legal Proceedings and Enforcement: Either institutionalise law or mobilise sole tribunals dealing with financial offences especially large loans default, embezzlement, and money laundering to speed case resolution. Equip the Anti-Corruption Commission with the financial muscle to recruit and deploy financial forensic personnel and enable it to carry out independent investigations into major banking cases. Use the same legislations on hand, like using the Money Loan Court Act to quickly seize assets from conscious backslide. Bangladesh can learn from association with global bodies such as the UNODC or the World Bank's StAR initiative to track and retrieve stashed assets illegally transferred abroad as part of financial sector crimes. One of them involves active responsiveness to mutual legal assistance requests to seek recovery of proceeds of crimes conducted earlier (such as money from Hall-Mark or BASIC scams if repatriated).

Improve Transparency and Accountability: Order banks to disclose publicly defaulted loan details and recovery updates (efforts have commenced, for example, by adding rescheduled loans to their reports) (69). Regularly release reports marking the biggest defaulting accounts. Learn and reward bank employees who alert on corruption, through a dedicated whistleblower protection policy that provides incentives on exposure leading to misused assets returning. In addition, strengthen audit and compliance protocols within banks, placing them under board and the oversight of Bangladesh Bank.

Leverage Technology to Prevent Fraud: Promote the use of digital banking procedures to avoid scope for manual interference. It was afterwards apparent that not enough automation was a factor that had facilitated the scheme (70,71). Implement full deployment for live core banking infrastructures in all banks, integrate with CIB information for risk assessment. Improve cyber defenses to protect from such incidents such as the 2016 reserve heist, and observe that these incidents reflect major shortcomings in the existing internal oversight system.

Based on the challenges involved, we make these suggestions. Resistance from influential stakeholders can be anticipated, and the possibility of maintaining financial stability lies in the ability to implement reforms even-handedly (for instance, it would be a bad option to write off all non-performing loans in one shot – some banks could go belly up with such a treatment, so such remedies as setting up Still however, inaction is scarcer. In accordance with the findings in this paper, persistence with the current practices results in repeated loss of investor confidence and increased period of financial loss. The government's zero-tolerance declaration against corruption must have strong measurable actions to uphold it (72). Such accountability implies that everyone should be answerable – nobody is above the law – but so long as influential defaulters are allowed to enjoy impunity, or corrupt officials are, effective achievement for Bangladesh will remain out of reach.

As a result of our discussion, Bangladesh's banking sector is at a critical juncture. The decision to defer and reject will exacerbate the problems culminating in a worse financial crisis. One possible alternative involves focusing on integrity and reform – a hard-balancing act, but one that several countries were able to accomplish during the handling of previous crises. Better governance, fair legal framework, and transparency can help Bangladesh to systematically rebuild confidence in banks. Such reforms will promote a strong financial system that can help promote Bangladesh's economy as well as protect the hard earned savings of Bangladesh's people from the hands of corruption. We must act now instead of waiting for the next scandal to make us do so. The policy recommendations provided outline a way forward towards a transparent, trustworthy and truly serving the interests of Bangladeshi citizens and their economy sector.

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