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CORPORATE GOVERNANCE AND LOAN LOSS PROVISIONS: A REVIEW

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Abstract: This paper reports the codes of corporate governance in the Arabian Peninsula (AP) by comparing them with the principles of the Basel Committee on Banking Supervision (BCBS), which aim to enhance sustainable growth of the economy. In addition, it assesses the quality and direction of existing research on the relationship between corporate governance (CG) and loan loss provisions (LLP), which are vital in maintaining soundness, stability and confidence in the banking industry and its leading role in economic sustainability. Arabian Peninsula countries adopt adequate CG mechanisms in line with those issued by BCBS. However, several limitations have been identified in existing studies on CG and LLP. As a result, further empirical analyses of CG and LLP are recommended for AP countries because of the limited data in this important part of the world.

Keywords: Corporate governance codes; credit risk; Arabian Peninsula; sustainable economy .

Introduction

Poor corporate governance (CG) and inadequate loan loss provisions (LLP) are considered the main root causes of the global financial crisis of 2008, which caused a catastrophic phenomenon in the world economy (Sinha, 2013; Migliardo & Forgione, 2018). Poor CG gives rise to ineffective banking operations, which in turn, will lead to high levels of LLP, bank defaults and economic recession (Jensen & Meckling, 1976). Moreover, CG has been the subject of great attention following the earlier 1997 Asian Financial Crisis because it is seen as the means to build resilient financial systems and maintain social and environmental sustainability to assist organizations to achieve their objectives with fairness and adequate transparency to stakeholders. Shrivastava and Addas (2014) indicated that good CG mechanisms can ensure a highly sustainable economic performance.

Likewise, CG and LLP have recently received great attention from corporations, governments and international organizations, particularly in the aftermath of the 2008 global financial crisis. In fact, the banking sector has suffered widely as a result of the crisis. It began when investment banks in the United States (US) suffered huge defaults in their loans and some of them went bankrupt, including Lehman Brothers — one of the largest and oldest in the country. This caused a cascading effect to other financial markets, causing losses to investors worldwide (Chakrabarty & Zhang, 2012; Fernando *et al.*, 2012).

Furthermore, LLP are a "nightmare" for bank managers because they cause catastrophic losses to the banking system and the economy. LLP are allowances set aside to cover non-performing loans (NPL), identified as such because they are more than three months overdue. Apparently, LLP are used as an imperative micro-prudential surveillance tool to evaluate and assess bank portfolios by financial authorities and credit rating agencies (Ozili & Outa, 2017). According to Alali and Romero (2013), who studied banking operations from 1984 to 2010, LLP could be used as key determinants in predicting the failure of US banks. Similarly, Eastburn and Sharland (2017) and Shan and Xu (2012) had reported that banks might collapse because of bad loans and insolvency if there were insufficient LLP.

The Basel Committee on Banking Supervision (BCBS, 2015a) and reports by Eastburn and Sharland (2017), Marton and Runesson (2017) and Peni and Vahamaa (2012) had suggested the adoption of a risk management framework and strong CG mechanisms to prevent bank failure. These measures may mitigate risks because they have been attributed to the high performance of corporate entities that adopted them in 2008. As a result, countries, particularly those in the Arabian Peninsula (AP), have issued CG codes and adopted risk management frameworks in compliance with international requirements and to promote financial sustainability (Naushad & Malik, 2015).

AP countries comprise Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates (UAE) and Yemen. Due to geography, they have similarities in language, history, culture and religion. Notably, all seven AP countries established their CG codes in the aftermath of the 2008 financial crisis except for Oman, which already implemented its own code since 2002 (Amico, 2014).

Having good CG, allocating adequate LLP and adopting an effective risk management framework are imperative for sound banking operations. They are recommended by BCBS or other international financial institutions, like the Bank for International Settlements (BIS), World Bank, International Monetary Fund (IMF), Organization for Economic Cooperation and Development (OECD) and International Accounting Standards Board (IASB). For many years, banking research has not taken into consideration the relationship between CG mechanisms and LLP despite their clear importance. Interestingly, it seems that majority of the research was focusing on financial performance as a key performance indicator (Peni & Vahamaa, 2012; Nimtrakoon, 2015; Achim *et al*. 2016; Buallay *et al*., 2017; Ghosh, 2017; Lee *et al*., 2017; Al-Malkawi & Pillai, 2018; Liu *et al*., 2018; Paniagua *et al*., 2018). However, there were studies that examined the relationship between CG and LLP in China (Shan & Xu, 2012), Estonia (Laidroo & Männasoo, 2014), the US (Ali *et al*., 2015), Egypt (ElBannan, 2015), Poland (Goczek & Malyarenko, 2015), Tunisia (Bougatef & Mgadmi, 2016; Mersni & Ben Othman, 2016), the UAE (Kolsi & Grassa, 2017), Italy (Caporale *et al*., 2018) and Malaysia (Isa *et al*., 2018).

But the studies had limitations in terms of relatively small data, short periods and restricted variables. Thus, the relationship between CG and LLP have not been clearly addressed in the banking industry. Studies that examine CG and LLP relationships are required by supervisory authorities and bank stakeholders because LLP is considered the first line of defence in absorbing potential losses from bank credit risks and protecting the stakeholders' interests. This review discusses the importance of CG and LLP in the AP banking sector.

First, it evaluates CG codes in AP countries by comparing them to the principles of CG issued by BCBS. The approach of this article, therefore, differs to that of Shehata (2015), who evaluated the CG codes for listed non-financial institutions in four Middle East and North African (MENA) countries. Second, most recent studies on the relationship between CG and LLP are reviewed, with discussions on gaps in existing literature. This review has two implications, which is to assess the compliance and position of CG codes in AP countries with international standards (i.e. the BCBS principles) and raise awareness on the importance of adopting good CG to safeguard the stakeholders of banks (depositors, shareholders, employees and the government).

Banking Sector in the Arabian Peninsula

In AP countries, the banking sector has sufficient capital adequacy ratios, particularly in Gulf Cooperation Council (GCC) countries (IMF, 2014). Moreover, foreign investors have increased rapidly, especially after these countries joined the World Trade Organization, whose terms have enabled foreign investors to open subsidiaries or branches and to own shares in AP countries (Ghosh, 2016). An increase in the number of foreign investors may lead to transfer of modern technologies, skills and expertise into the AP banking sector. Additionally, it may promote competition between domestic and foreign banks. It has been pointed out that AP banks are dominated by family businesses and state ownership (Ghosh, 2016). Therefore, the entry of foreign investors may enhance the banking sector by mitigating ownership concentration in financial institutions, particularly in GCC countries (Ramady, 2015; Santos, 2015).

On the other hand, restrictions on significant exposure to a single entity or a group of counterparties are being adopted by the AP banking sector to comply with international requirements to avoid large defaults and a high level of LLP. The AP banking sector is highly concentrated, with just three banks accounting for 80 % of the total banking assets in Bahrain, Kuwait and Qatar. In Saudi Arabia, there is less concentration but three banks still account for 54 % of the kingdom's total banking assets (Lassoued *et al.*, 2016).

Corporate Governance in the Arabian Peninsula

The word "governance" is derived from the Greek language, which means "to steer the direction". However, usage of the word in its broad sense only emerged fairly recently in the 1990s as a specific business definition. In the banking sector, it is used to describe a procedure and framework for adequate, transparent, fair and timely information to assist banks in making effective decisions at the right time to achieve their objectives and match their values to create suitable growth in the long term to meet the expectations of its stakeholders.

Corporate governance mechanisms can be categorized into internal and external mechanisms (Bushman & Smith, 2001; Cremers & Nair, 2005; Young *et al*., 2008; Huyghebaert & Wang, 2012). Internal CG mechanisms include a board structure, audit committee, ownership structure, executive compensation and financial disclosure, whereas external ones consist of market competition, legal infrastructure, managerial labour market and takeover market. Al-Malkawi *et al*. (2014) reported that 69 % of listed companies in GCC countries do comply with the corporate governance index (CGI) and 74 % of the sub-index relating to disclosure, including information on risk management and LLP. These CGI indicators are higher than other emerging countries, such as Brazil, India, South Korea and Turkey (Black *et al.*, 2014). In AP countries, CG codes have been developed in line with the best practices and international requirements issued by the OECD and BCBS (Shehata, 2015). The CG codes encompass the essential requirements for board structure and other vital dimensions (Al-najjar & Clark, 2017).

Corporate Governance Codes in Arabian Peninsula Countries

In Bahrain and Kuwait, the CG codes were issued for listed corporations in 2010. In Oman, the CG code was issued in 2002, which means it was the first code issued in an AP country. The Oman CG code was also revised in 2015. In Qatar, there are two codes. One was issued in 2008 for banks and financial institutions and revised in 2015, while the other was issued in 2009 for non-financial institutions entitled *Corporate Governance Code for Companies Listed in Markets Regulated by the Qatar Financial Markets Authority* (Qatar Central Bank, 2015). In Saudi Arabia, there are also two CG codes, one of which is for banks entitled *Principles of Corporate Governance for Banks Operating in Saudi Arabia* issued in 2012. The other code was issued six years earlier for non-financial institutions, entitled *Corporate Governance Regulations in the Kingdom of Saudi Arabia* (Shehata, 2015).

In the UAE, there are three codes; one for small and medium-sized enterprises, one for non-financial institutions and one for banks. The banking code was introduced in 2009. According to Al-Malkawi *et al*. (2014), listed corporations in the UAE had the best CGI adherence among all GCC countries. In Yemen, the CG code for the banking sector was issued in 2010 (Central Bank of Yemen, 2010).

Table 1 shows the key factors of CG codes in AP countries. In respect to board structure, all codes required the separation of CEO duality. In other words, the positions of chief executive officer (CEO) and chairman should be separated and not undertaken by the same person. Additionally, board independence should be ensured by having independent directors in at least one-third of the board. However, this is not the case in Qatar and Saudi Arabia, where the independent directors should be at least three and two, respectively. In the UAE, exact requirements are not stipulated. In regard to non-executive directors, Oman requires all board of directors to be non-executives, while other AP countries require the majority or at least half of the board to be filled with non-executive directors.

In addition, all the AP CG codes require that board meetings be held at least four times per year, while in Qatar and Yemen, at least six meetings are required, which may have a positive impact on performance. As for board committees, the AP codes have detailed requirements regarding the risk, audit and nomination and remuneration committees. However, the establishment of a risk committee is considered discretionary in Bahrain and Kuwait while the need for this committee is not stated in Oman. Importantly, disclosure and transparency is required by the AP codes, especially relating to party disclosures.

Last but not least, board independence is clearly outlined because independent directors play a vital role in a bank board. With specific reference to the Yemeni CG code of CG, it is compatible with those of other AP countries which oil and gas exporters (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), all of which comply with the principles of BCBS. These findings are consistent with those in Shehata (2015), who reviewed the codes of CG for non-financial institutions in GCC countries by comparing them with the codes in four MENA countries (Egypt, Jordan, Morocco and Tunisia).

In terms of the challenges faced by AP countries, Shehata (2015) stated that Yemen was in the early stages of reform because of its political and economic instability. In addition, there was a high concentration of business ownership, for instance family monopolies, in Yemen and other AP countries (Ghosh, 2017). Hence, MENA and AP countries need to institute two fundamental reforms. One involves enhancing CG practices and the other entails improving professional commitment of senior management and board of directors (Ghosh, 2017).

Loan Loss Provisions

Loan loss provisions (LLP) are allowances allocated to absorb potential losses from non-performing loans. Practically, there are two types: Specific provisions called non-discretionary provisions and general provisions, namely discretionary provisions. From an accounting perspective, provisions are placed under the accumulated contra-asset account in financial statements of companies. They are also recognized in the income statement periodically under accrual-based accounting.

For example, LLP accrued in the income statement are based on the outstanding balance of loans and advances at the end of each period and on the age of each individual loan. Loans overdue by 90 days, 180 days and 360 days are subject to 15 %, 45 % and 100 % provisions, respectively (IMF, 2014). D'Hulster *et al*. (2014) investigated LLP in 26 European countries and found that 90-day overdue loans were classified as non-performing loans under their LLP definition.

According to the IMF, the accounting practices of AP banks are in line with the requirements of the International Financial Reporting Standards (IFRS) (IMF, 2014). The IASB has issued a number of standards for

Table 1: Summary of some key factors in corporate governance codes of Arabian Peninsula countries

Item	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	Yemen	BCBS
Year of initial issuance of CG code	2010	2010	2002	2008	2012	2009	2010	Revised in 2015
Proportion of independent directors on the board	At least three or one-third in controlled companies	Not less than two or one-third	One-third with a minimum of two	At least three	At least two	Not stipulated	One-third	Sufficient members
Non-executive board members	At least half of board	Majority of the board	All board members	Half of the board members	Executive member not more than two	Majority of the board	Majority of the board	Majority
Board size	Not more than 15 members	Not stipulated	Not stipulated	Between 9 and 11	Between 9 and 11	Not stipulated	Discretion	A sufficient size
Separation of CEO duality	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of board meetings per year	Four	At least once every 2 or 3 months	Four	Six	Four	Four	Six	Regular meetings
Definitions of independence	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Req. risk committee	Discretion	Discretion	Not stipulated	Yes	Yes	Yes	Yes	Yes
Req. audit committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Nomination and remuneration committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Related party disclosures	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Disclosure and transparency	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Sources: BCBS (2015a), Capital Market Authority (2015), Capital Standards (2010), Central Bank of the UAE (2009), Central Bank of Yemen (2010), Qatar Central Bank (2015), Saudi Arabian Monetary Agency (2014), The Ministry of Industry and Commerce and Central Bank of Bahrain (2010).

financial reporting and accounting treatments, particularly for LLP. In the aftermath of the 2008 financial crisis, IFRS 9 has superseded the International Accounting Standard 39 and the new provides a forward-looking model for the classification of financial assets and measurement of LLP on a time basis. The new standard still considers a loan to be delinquent when it is 90 days overdue. Furthermore, the BSCB has issued principles and guidance on LLP, which are comparable to IASB standards. For example, the 90-day definition for default or non-performing loans and other indicators that borrowers are unlikely to pay their debts (BCBS, 2015b). In addition, IFRS 7 requires qualitative and quantitative disclosures regarding loan portfolios and reconciliation of LLP. Hence, useful information in terms of processes and methods are required to identify, measure and manage the risk (Chaudhry *et al*., 2016). However, Marton and Runesson (2017), in their study to compare IFRS and local generally accepted accounting principles (GAAP) on LLP in the European Union and Switzerland, concluded that IFRS was more objective because it had better ability to predict actual loan losses in banks with relatively low level of judgement.

With respect to Islamic banks, they have grown rapidly since the late 1970s in AP countries. AP Islamic banks account for more than 42 % of the global Islamic banking industry in 2017, which was worth approximately US$1.6 trillion (Islamic Financial Services Board, 2018). Basically, Islamic banks differ from conventional banks in profit-or-loss sharing and linking money with real assets. The accounting standards in Islamic banking are established by the Bahrain-based Accounting and Auditing Organization for Islamic Financial Institutions, one of which is Financial Accounting Standard (FAS) 11 requiring Islamic banks to have sufficient provisions for loan portfolios.

In practice, LLP have been used to cushion potential loan defaults and enhance capital adequacy ratios (CAR) as a supplementary capital. The Basel II accord restricted general LLP for tier II capital to 1.25 % of credit risk weighted assets (BCBS, 2017). Notably, banking supervisory authorities require banks to have at least 8 % CAR to be deemed stable and in sound financial position, but higher LLP will enhance the ratio. What is more, is that LLP will greatly reduce the net profit of banks.

Consequently, the IFRS and banking authorities require banks to possess adequate capital provisions. As reported by Olson and Zoubi (2014) who examined 75 banks (451 bank-year observation) in the MENA countires that LLP was an indicator for interested parties to assess a bank and its performance. Unquestionably, adequate allocations are critical for any bank that wishes to pursue its activities in a sound way. Moreover, previous studies postulated that LLP had been used to smoothen earnings and meet regulatory requirements in Australia and Asia (Packer & Zhu, 2012), the Netherlands (Norden & Stoian, 2013), MENA region (Lassoued *et al*., 2017; Olson & Zoubi, 2014; Soedarmono *et al*., 2017), Nigeria (Ozili, 2015), China (Wu *et al*., 2015), US (Morris *et al*., 2016), UAE (Kolsi & Grassa, 2017), seven different developing countries (Ujah *et al*., 2017), Europe (Curcio *et al*., 2017; Vasilakopoulos *et al*., 2018; Caporale *et al*., 2018) and Pakistan (Ilmas *et al*., 2018).

Corporate Governance and Loan Loss Provisions

It is apparent that many studies examined the impact of CG on financial performance, but only a few have focused on the relationship between CG and LLP. Since the adoption of CG and risk management of LLP are essential ingredients of banking success, it is of great importance for this paper to highlight the weaknesses in this relationship in AP countries. The limitations of the studies are outlined below.

In the US, Leventis *et al*. (2013) examined whether good CG was related to high level of LLP in 315 listed banks from 2003 to 2009 using a reverse regression model. Surprisingly, they revealed that CG indices were positively associated with LLP, which indicated a high level of accounting conservatism. But the data might have been affected by the 2008 global financial crisis, especially those collected in 2007, 2008 and 2009.

In Nigeria, Oyewole *et al*. (2014) investigated the relationship between CG mechanisms and credit risk, analyzing 19 listed banks from 2005 to 2009 using an ordinary least squares (OLS) regression study. They found that CG was associated with better credit risk management. In other words, CG mechanisms decreased the level of LLP and NPL in the banks they studied. However, that report's conclusion was limited by its small sample size and only a single country in focus.

In Estonia, Laidroo and Männasoo (2014) investigated a panel of banks in Central and Eastern Europe (CEE), employing generalized method of the moments (GMM), OLS and fixed effects regression. Three possible limitations in this study could be observed, which were its relatively few variables investigated, the short study period and the effects of the 2008 global financial crisis, which might have impacted their results.

In the US, Ali *et al*. (2015) analysed 291 banks belonging to 35 members of the Organization of Islamic Cooperation (OIC) using a two-staged generalized least squared (GLS) regression analysis. A key limitation of this study is that it mainly focused on earnings management with slightly small variables. Zagorchev and Gao (2015) examined how CG influenced financial institutions in 820 US firms from 2002 to 2009 and they found contradictory results where sound CG mechanisms had increased the level of LLP and supported income smoothing. However, that paper did not differentiate between discretionary and non-discretionary LLP in which non-descriptionary LLP are considered as good indicators of asset quality.

In Egypt, ElBannan (2015) examined the operation of 48 banks from 2000 to 2011. It discovered that CG, in terms of ownership, had a different impact, in which foreign ownership reduced the level of LLP but state ownership brought an opposite effect. The major limitation of this study was its sample size and some of data employed might have been skewed by the 2008 global financial crisis. In Poland, Goczek and Malyarenko (2015) examined 200 Ukrainian banks. The main limitation of their approach is that it focused mainly on macroeconomic factors and only on Ukrainian banks. Mersni and Ben Othman (2016) analysed 20 Islamic banks in seven MENA countries. Their findings suggested that CG mechanisms in terms of board size and audit committee existence improved risk management and decreased the level of LLP. The main drawback was the focus on Islamic banks and earnings management. Furthermore, the sample size of 20 was slightly small. Moreover, the period and data used preceded the issuance of CG codes in MENA countries, which were mostly issued in 2010.

In the UAE, Kolsi and Grassa (2017) investigated 26 Islamic banks in GCC countries. They stated that CG mechanisms in terms of board independence and audit committee meetings could decrease the level of LLP. This meant that good CG mechanisms enhanced credit risk management. However, their study approach had similar limitations as Mersni and Ben Othman (2016).

In Italy, Caporale *et al*. (2018) analysed 400 banks by employing GMM analysis. The main drawback of their paper is that they focused only on Italian banks. In a recent paper in Malaysia, Isa *et al*. (2018) examined 12 banks through panel data analysis. The problem was their focus only on the local banking sector. In addition, the sample size was considered small, which might be because of inaccessibility to some data.

Table 2 provides more details on the content of the above studies, including their main findings and suggestions for future research.

Conclusion

The objective of this review is to investigate whether AP countries had adequate CG mechanisms, identify the literature gap and analyse recent studies that might be critical not only for enriching the banking sector but also the economy as a whole. The results of this paper were twofold: First, it gave an in-depth review and evaluation on CG codes of AP countries by comparing them to the principles of CG issued by BCBS. It was possible to conclude that the CG codes in AP countries contained adequate CG mechanisms and were on a par with those proposed by BCBS. Second, a critical analysis of existing research on the relationship between CG and LLP had a number of downsides, some of which emphasized on a single country while others focused only on Islamic banks rather than both Islamic and conventional banks.

Likewise, discretionary LLP were employed instead of non-discretionary ones, which were accrued based on non-performing loans and difficult to manipulate. Moreover, most of these papers had drawbacks in terms of small sample size and short study periods. The most likely explanation of these limitations was that some data might be inaccessible to the researchers. Besides, the data utilized during the 2008 financial crisis would likely lead to misleading results and some studies also included details prior to the issuance of CG codes and reforms in their respective countries.

To the best of the authors' knowledge, only a few empirical papers that ascertained the relationship between CG and LLP in banks all over the world and in AP countries. The outcome of existing research seems to be inconclusive. Therefore, further studies should address this issue by considering new variables, especially if they were examining the industry in emerging economies to find ways to build up resilience in the banking sector to ensure sustainable growth of the economy.

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Table 2: Summary of the recent research conducted over the world regarding loan loss provisions

Authors/ Countries	Sample, location and research method	Independent Variables	Dependent Variables	Main findings	Suggestions for future research
Leventis *et al*. (2013), the US	315 listed banks in the US from 2003 to 2009 using reverse regression model	-Corporate governance indices -Executive and director compensation and ownership -Anti-takeover provisions	LLP	Corporate governance indices were associated with a high level of LLP while other variables had no effect	
Laidroo & Männasoo (2014), Estonia	11 CEE countries from 2004 to 2010 using GMM, OLS and fixed effects regression	-Gross domestic product (GDP) -Consumer price index (CPI) -Loan growth	LLP	GDP and loan growth had negative relationship with LLP, while CPI had no impact	Future research needed to consider the structure and content of committed credit lines to enable deeper understanding on the formation and accumulation of LLP
Oyewole *et al*. (2014), Nigeria	19 listed banks in Nigeria from 2005 to 2009 using OLS regression	-Statutory committee -Committee independence -Board size -Board composition -Executive duality -Directors' interest	LLP	CG mechanisms were associated with better credit risk management measured by NPL and LLP	
ElBannan (2015), Egypt	48 Egyptian banks from 2000 to 2011 using OLS regression	-Foreign ownership -Bank concentration -State-owned banks -GDP -CPI	LLP	LLP reduced with foreign and less concentration of ownership by one party. It was expanded under state ownership and insignificantly associated with GDP and CPI.	Future research needed to determine profitability and risk of banks in emerging countries
Goczek & Malyarenko (2015), Poland	200 Ukrainian banks from 2005 to 2013, using GMM dynamic panel methods	-GDP -CPI -Unemployment -Exchange rate -Liquidity -Loans -Bank size	LLP	Macroeconomic factors had a significant effect on LLP, except for GDP and CPI	

Table 2: Summary of the recent research conducted over the world regarding loan loss provisions (continued)

Zagorchev & Gao (2015), the US	820 firms in the US from 2002 to 2009 using random effects	-Corporate governance 41 Index	LLP	Sound corporate governance mechanisms were positively associated with LLP	Future research needed to determine profitability and risk of banks in emerging countries
Mersni & Ben Othman (2016), Tunisia	20 Islamic banks from seven MENA countries from 2007 to 2011 using panel data	-Board size -Audit committee existence -Sharia board size -Bank size -Board independence -CEO duality -Audit quality -Management & block-ownership	LLP	Discretionary LLP were negatively associated with board size and the existence of an audit committee while they were positively associated with high sharia board and bank size	Future research could be conducted to include all Islamic banks in MENA region
Kolsi & Grassa (2017), UAE	26 Islamic banks of GCC countries from 2004 to 2012 using panel data.	Sharia board size -Board independence -Blockholders -Audit meetings -Institutional ownership -Bank size	LLP	Sharia board size, board independence and audit committee meetings have a negative relationship with LLP while blockholders have a positive relationship with no effect on other variables	Future research should explore how the chief executive officer's bonus, experience and gender might affect a bank's LLP
Caporale *et al.* (2018), Italy	400 Italian banks from 2001 to 2015, employing GMM	-Non-performing loans -Loans & advances -GDP & bank size	LLP	Non-performing loans, Loans & advances and GDP have a positive relationship with LLP	
Isa *et al.* (2018), Malaysia	12 banks in Malaysia from 1997 to 2014 using panel data regression	-Non-performing loans -Interest income -Loans & advances -Net profit -GDP	LLP	Interest income and loans & advances have a positive relationship with LLP while NPL, net profit and GDP have negative relationship with LLP	Future research could focus on the difference between IFRS and GAAP standards used by banks as new variables

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