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**RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND
NON-PERFORMING LOANS**

Abstract:

This study uses a dataset to assess the relationship between corporate governance and non-performing loans in Pakistani banking industry. The sample of this study composed of all listed commercial banks from 1998 to 2009. The financial data of all commercial banks has been taken from annual financial assessment reports published by central Bank of Pakistan. The proposed hypotheses regarding relationship between corporate governance practices, government form, ownership structure and non-performing loans are tested by applying different econometric models. It finds that board size is contributing significantly positively in the non-performing loans. The study also finds that board independence and ownership concentration have strong negative influence on non-performing loans. Next, in order to test whether the differential in non-performing loans between state-owned banks, domestic private banks and foreign private banks is driven by the democratic form of government, it finds strong support for this hypothesis.

Keywords:

Corporate Governance, Non-performing Loans and democratic Governments

JEL Classification: G32, O43, G30