Effective Internal Control Practices in Banks

A Practitioner's Aid

Sophia Beckett Velez, PhD

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Effective Internal Control Practices in Banks: A Practitioner's Aid

BY

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To my daughter Shikurah Velez – you are my biggest cheerleader, and I am thankful for your love and support.

To Theolores Dawes (Tilly) my Godmother – thank you for believing in me. You are gone but not forgotten.

To Courtney Fisher – thank you for your support during the storm of my life.

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To Kenrick Beckett (my dad) and Tullo T – thank you for listening and protecting the dreams of young people.

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About the Author

Sophia Beckett Velez, PhD, has worked for over 16 years as a Certified Public Accountant (CPA) with large banks providing consulting services. Her work experience has provided her with valuable background information on the banking industry in general. As a CPA, she worked for firms such as PricewaterhouseCoopers, where she performed financial audits, attestation services and risk management analysis of large banks. Many of the regulatory compliance problems noted during her review of the large banks required her to cultivate relationships with line of business managers and work with them to develop action plans and solutions to the issues noted. This has sparked her research interest in exploring the issues at hand in global banks.

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Preface

This book discussed the implementation of effective internal control practices in banks and public companies. The US Government (House of Representative, Congress) saw the urgency to pass laws and governance principles that will remediate weaknesses in internal control, mitigate scandals and address failures in these publicly filed companies. The root causes of these companies' crises and failures when analyzed were linked to ineffective internal control environment, deficiencies, inadequacies in internal systems, fraudulent activities tied to various areas (financial reporting, accounting, auditing, corporate governance, oversight) within public companies and banks.

A qualitative e-Delphi study of 10 banking finance experts was convened to build consensus on internal control practices senior bank managers can implement that can be effective in reducing losses in banks. This book offers consensus on: (a) performance of periodic risk and controls assessment, (b) monthly/quarterly reporting over controls performance to include key performance/risk indicators, (c) strong governance and oversight committees, (d) timely reporting and escalation, (e) setting expectations for communication and reporting, (f) ensuring employees have time to recognize problems and follow procedures and not cut corners when they are under extreme pressured, (g) automation of manual processes that are prone to human errors, (h) establish priority training and (i) having a risk taxonomy. These considerations towards effective internal control practices may help reduce reporting inaccuracies, lack of timely reporting, information inappropriateness which have caused banks to incur significant losses, failure to mitigate risk timely, reputational damage and regulatory findings.

This book offers an original contribution to the field of banking that undergraduates, master's, PhD students, academics and researchers can use to gain a deeper understanding of internal control risks in banks/public companies and the use of effective internal control practices. This book will be the first to discuss consensus on effective internal control practices in banks. Sophia Beckett Velez, PhD, has over 16 years of experience as a Certified Public Accountant (CPA), providing consulting services to large banks.

Sophia Beckett Velez

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This book could not have been written without the support and encouragement of my daughter, Shikurah Velez.

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Introduction

This book is divided into three parts. Part 1 discusses *Lack of Effective Internal Controls in Banks and Significant Financial Institutions (SIFIs)*. Part 2 examines *Government SOX Regulations of Banks and SIFIs Control Environment.* Part 3 discusses *Bank Leadership Consensus on Designing Effective Control Environment*.

Part 1: Lack of Effective Internal Controls in Banks and Significant Financial Institutions (SIFIs)

This part of the book discusses bank failures due to ineffective internal controls, related significant losses incurred. The impacts of weak internal controls on financial reporting, accounting, auditing, corporate governance, oversight. The role of Board of Directors in control weakness and the passing of Sarbanes Oxley Act 2002.

Chapter 1: Banks and SIFIs Failure to Implement Effective Internal Controls

In this chapter, I discuss the root causes of banks and public companies' crises and failures that are linked to ineffective internal control environment, deficiencies, inadequacies in internal systems, fraudulent activities tied to various areas (financial reporting, accounting, auditing, corporate governance, oversight) of these organizations. The ineffective control environment at these companies led to millions in Federal regulator fines and banks found guilty of creating millions of fake accounts in the name of customers without their consent; this resulted in the firing of employees.

Chapter 2: Significant Losses Incurred by Large Banks and SIFIs Due to Internal Control Weaknesses

Several large global banks failures before and after the 2008 financial crises that had ineffective internal control systems due to poor governance and board oversight are discussed. Global banks significant losses from fraudulent actions occurrence due to weak internal controls that did not prevent these fraud events are examined. The importance of internal controls in relation to losses in large companies and banks and the shock to the global economy/financial sector. Board of directors' failure to do their duties in protecting the company from fraud, senior management abuse of power and lack of risk mitigation through enforcement of good governance and controls.

Chapter 3: Global Economic Impact Due to Weak Controls in Banking and Financial Services

This part of the book discusses large banks' significant losses and exposure to insolvency due to weak internal control environment, non-functioning internal controls and government rescue to mitigate the insolvency that would be a systemic risk to global financial structure. Central banks widening their focus from providing banks liquidity insurance, to backstopping market liquidity in scenarios where severe dysfunction threatens the banks financial stability. Mitigation of dysfunctional banking environment and fostering stability, quelling the fears of customer in the markets.

Chapter 4: Sarbanes Oxley 2002 (SOX) and Control Environment

The US Government's passage of laws to mitigate internal control risk in public companies are examined. The US and global governments who followed suit believed that there is a lack of effective functioning internal controls within public traded companies control environment which caused them to go out of business. Several major corporate and accounting scandals and the related effects on investors' confidence, incurrence of losses in billions of dollars when the share prices of the impacted companies collapsed and consumers developed negative public confidence in financial securities markets are reviewed. This need for SOX controls, hearings held by the Senate Banking Committee on the market problems that constituted losses of billions, spiralling of trillions of dollars in market value losses, and the passing of Sarbanes–Oxley Act of 2002.

Part 2: Government SOX Regulations of Banks and SIFIs Control Environment

The US and global government passage of laws to mitigate internal control weakness and systemic impact globally. The challenges to the implementation of SOX are discussed. Stakeholders' failures in implementing SOX effectively are examined.

Chapter 5: Importance of Effective Internal Control to Company's Control Environment

This chapter discusses analysis of internal control risk in their accounting practices as part of their approach to implement improved risk control measures. The initiative of mitigating risk carried out in concert with daily management and operations. The importance of an effective internal control environment and the requirements to prevent, detect and monitor corporate misconduct, information asymmetry, moral hazard, mortgage fraud, predatory lending, managerial slack and risk shifting.

Chapter 6: Challenges to the Effective Implementation of SOX Requirements

Companies' actions that challenge the implementation of SOX are discussed. The sending of lobbyist to Washington to kill the SOX 2002 bill. The complains at first launch that the bill is over regulation of firms that were required to be

compliant with Section 404(b) of the Act, which addresses reporting on company's internal controls. Lobbyist attack Fed measures to mitigate internal control weaknesses to prevent fraud, management misconduct and possibility of being discontinued.

Chapter 7: Regulators, Auditors and Process Owners Failures in SOX Certification Process

This chapter discusses stakeholders who faced challenges and failures in executing SOX guidelines resulting in payment of penalties and findings for non-compliance. External audit firms are required to perform audit of the public company financial report and internal controls. The findings brought against external audit firms' failure to challenge or question missing disclosures relating to significant debt of companies they audited.

Chapter 8: Internal Control Framework (Preventive, Detective, Monitoring, Automated) Design

This chapter discusses the design of the control environment consistent of structures, methods and measures that are foundational in the evaluation of the internal control framework. The framework/design of internal controls system inclusion of foundational pieces such as control environment, risk assessment, control activities, information and communication and monitoring. Internal control activities design and operating effectiveness are relevant to maintain a sustainable system with a mixture of manual and automated.

Part 3: Bank Leadership Consensus on Designing Effective Control Environment

This part of the book discusses effective internal control environment. The use of automated controls, risk identification process, effective communication, timely reporting and escalation.

Chapter 9: Systems and the Automated Control Environment

A well-designed internal control environment and the automation of many of its control activities and processes are examined. The less manual reliance a process is in its operation, the lower the risk of errors and fraud. A review and examination of bank systems, effective controls around its accounting business and the lack of system controls that contribute to system risk is reviewed.

Chapter 10: Risk Identification and Communication

Banks and public companies' risk identification processes are discussed and their exposure to risk domestically and globally stemming from the business environment in which they execute their transactions. The nature of goods and services, individuals executing the processes, laws and regulations that governs these activities and the technology/system used to carry out these business events are examined. Banks' analysis of these varied factors of risk is embedded in transactions and the risk identification process used to identify the What Can Go Wrong in the execution of its business activities.

Chapter 11: Timely Reporting and Escalation

This chapter discusses the needs and impacts on the companies' financial health when timely information is shared through communication channels such as reporting, assessments and audit results. The crucial role timely reporting and escalation play in various stakeholders being able to react and take responsive measures to prevent identified issues from progressing materially.

Chapter 12: Internal Control Effective Practices

This chapter examines significant positive impacts effective internal control play in the maintenance of a strong bank's control environment. This is reflected in its risk management programmes, financial reporting, oversight committees, meeting regulatory requirements and the overall profitability of the organization. The internal control consensus activities are discussed and the efforts to mitigate control risk.

Part 1

Lack of Effective Internal Controls in Banks and Significant Financial Institutions (SIFIs)

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Chapter 1

Banks' and SIFIs' Failure to Implement Effective Internal Controls

Significant Financial Institutions (SIFIs) are large institutions such as banks, insurance companies and public corporations that have major financial impacts on domestic and global economies. The nature of SIFI institutions caused the Federal Reserve Bank (Fed) to roll out risk management requirements, capital stress test for designated entities, tools to identify and manage risks and losses (Allen et al., 2016). Capital stress test is a complex process which makes risk management effort very challenging as a tool used to address risk (Allen et al., 2016). The nature of the risk in the financial markets stems from financial distress SIFIs, which hinders management to achieve financial stability and control systemic risk (Allen et al., 2016). There are trade-off in the risk mitigation efforts noted by Allen et al. (2016) that these efforts stifle financial innovations, and it is unclear how to design an effective regulatory framework. Significant losses if left unmitigated can lead to banks facing insolvency. These companies' losses contributed to business failures and global financial crisis. Aksoy and Mohammed (2020) asserts global banks experienced crises and failures which resulted in their insolvency; this had negative impacts to global investor confidence. The root causes of these companies' crises and failures when analysed were linked to ineffective internal control environment, deficiencies, inadequacies in internal systems, fraudulent activities tied to various areas (financial reporting, accounting, auditing, corporate governance, oversight) of the company (Aksoy & Mohammed, 2020). Board of Directors (BOD) sets the tone and temperature of the internal control environment through their company policies; this influences the procedures and controls used to conduct daily transactions and operations. Goldberg (2017) argues that banks and SIFI institutions are required to have controls, compliance policies and procedures, that should be reflected in the execution of the organization operations.

The banks' BOD can provide oversight over the companies' policies and procedures, through controls designed to carry out sound business initiatives, incentive and organizational structure of the bank. Equally important to organizational structure is the BOD structure which can be an impediment to timely response to a

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bank suffering significant losses and the possibility of insolvency. O'Sullivan et al. (2016) contend that when a bank has a large board with several members, this can be a hindrance to them making timely risk management decision for a bank that is in crisis. An effective control environment is one where there is an examination of the board structure, CEO and board tenure, prior to a crisis (O'Sullivan et al., 2016). There is a direct relation between an effective board design and the increase in bank performance (O'Sullivan et al., 2016). When there is a lack of effective and positive BOD involvement and oversight, it shows up in senior management abusive conduct, fraud, resulting in fines to the company from regulator for lack of compliance with the rules and regulations. Tourigny et al. (2003) assert management behaviour that lacks principles of governance and ethical standards can lead to bank failures (Tourigny et al., 2003). This gap in governance can be mitigated through the nurturing of ethical leadership evident in leaders' activities (champion of moral and integrity, display ethical behaviour) which is reflected in their product choices (Lui, 2011). Bank managers who lack morals and ethics, pursue their own financial gains which exposed shareholders to significant losses (Lui, 2011).

The ineffective control environment at Wells Fargo Banks led to Federal regulator imposing a $185 million fine on the bank for creating millions of fake accounts in the name of customers without their consent; this resulted in the firing of 5,000 employees (Aksoy & Mohammed, 2020). Well Fargo Bank leadership's lack of ethical practices led to them fraudulently creating accounts to fill sales quota. Bank managers goals and practices used to execute the daily activities of the company can be found in goal theory; Additionally, the incentives that motivated the aspirations of the agents are embedded in goal theory (Chawla, 2016). Chawla (2016) posits companies used their commission plans to motivate individual to reach sales target goal. Many organizations that have implemented rewards and punishment strategy to motivate salespeople had some backlash where some of the employees became disengaged salesperson; this caused reputational damage to the organization (Chawla, 2016). Some extrinsic motivational methods can yield negative results, fraudulent behaviour, and expose the banks to significant systemic losses. Preventive measures can be implemented by the bank to mitigate widespread fraudulent acts; this entails implementing practices that inform bank managers positive actions through ethical choices awareness (Gatzert & Schmit, 2016). The continuous increase of significant losses in mega banks which spill over into the economy causing turmoil, suggests the lack of effective internal company controls (Tanda, 2015). There are increases in bank risks driven by managers' aggressive lending activity that turned out to be bad loans and failed financial innovation that contributed to significant losses that eroded the economy (Egly et al., 2016). Senior bank managers' behaviours that increase bank risk can be mitigated through the use of risk management practices. Bank managers need to be trained to make conservative investment selections that would increase company profits, reduce fraudulent behaviour and minimise business losses (Gatzert & Schmit, 2016).

Pakistan had banks that lack effective control environment which was tied to wrongful issuances of debit card and chequebook on customer accounts; this allowed the perpetrators to misuse and make unauthorized withdrawals from the accounts (Abdullah et al., 2018). The internal control weakness at a Pakistan

branch in Peshwar City was manipulated by an employee of 5 years who used the three key account characteristics (accounts with significant number of deposits, easy specimen signatures, fewer inquiries made by owners of these accounts) to select accounts to commit fraud (Abdullah et al., 2018). The fraudulent acts committed by employees at the Pakistan bank include obtaining illegal cards and using supplementary debit card with a daily withdrawal limit of Rs. 25,000 to make unauthorized withdrawals, issuing and using chequebook by faking the specimen signature repeatedly for personal use (Abdullah et al., 2018). In the United States, there were numerous banks that issued bad loans which generated significant losses linked to weak risk management environment manipulated by originators and arrangers (Lui, 2011). Some banks conducted subprime lending which caused significant losses; this includes government-sponsored enterprises (Freddie Mac, Fannie Mae) who had liabilities of $5 trillion, and $2 trillion of subprime mortgages losses (Allison, 2017). These significant losses and failures in subprime lending in banks continued to increase over time because of policies that gradually decayed by the actions of the Fed (Hanke & Sekyere, 2017). The Fed guaranteed loans offered by Fannie Mae and Freddie Mac which allowed these banks to take on more risk; this incentivised growth in bad mortgage lending to unqualified customers (Hanke & Sekerke, 2017). Banks in the United States continues to operate at a high risk of insolvency due to low levels of (leverage, liquidity, capital) and lack of effective control to curtail senior bank managers' risky behaviour (Dandapani et al., 2017). Gastón and Schumacher (2017) assert regulations that address liquidity levels can decrease the probabilities of default for banks, prevent the default risk during a crisis episode and improve the financial soundness of the banking sector.

The US banks continue to have significantly high debt to equity ratios, lower liquidity and capital adequacy ratios and take on bad home mortgage lending which experienced default (Dandapani et al., 2017). Large banks labelled as SIFI (Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, Wells Fargo) in the United States continue to incur significant losses and high operational risk exposure (Sarin & Summers, 2016). Banks are faced with the challenge of meeting shareholder profit objectives which managers undertake by increased investments in high-risk products that provide short-term profits, while in the long term, these positions incurred significant bank losses (Sarin & Summers, 2016). Banks were interested in raking in higher profits and increased revenue from joint banking and insurance products, and they never focused on cutting costs (Yuan, 2017). Many banks' strategy to stay profitable and afloat was not aligned with sound internal control framework linked to organizational objectives. The Fed carried out stress test on significant banks in the United States which revealed many of them were under-capitalised. This means many of these banks' capital was insufficient to cover potential significant losses; Bank of America was one of the banks the Fed required to raise new capital and resubmit plans in 2015 (Walker et al., 2017).

This recommendation from the Fed caused Bank of America to spend $100 million to make internal improvement and resubmit its 2015 plan (Walker et al., 2017). Similarly, Citigroup spent $180 million in 2014 on submission of its plan to the Fed (Walker et al., 2017). Morgan Stanley resubmitted a revised capital plan for 2016 to the Fed, and some banks were penalised by the Fed for falling the

stress test (Walker et al., 2017). Both Deutsche Bank and Santander US failed the tests and were penalised by the Fed who took actions which include prohibiting them from paying dividends and stock buybacks (Walker et al., 2017). The Fed should require banks to recapitalise following an adverse shock, raise equity capital and take actions to improve their capital ratios (Greenwood et al., 2017). Banks' maintenance of minimum capital ratios is appropriate for normal times, inadequate in the wake of a large negative shock in the system, but not appropriate during times of financial crisis (Greenwood et al., 2017). Banks' and it's subsidiaries have positive relationships during normal years when the economy is stable, negative relationship during crisis (Gregory & Hambusch, 2015). The capital-to-asset ratio has a negative relationship with bank risk; there should be an increase in capital ratio levels that help banks to mitigate negative crisis impacts (Gregory & Hambusch, 2015). The regulators have placed restrictions on buyback because of banks' adverse scenario results and have placed monitoring controls requirement guidelines around capital inflows and outflows in loan, trading losses, reserves balances, asset growth, revenues, income impact on the bank's balance sheet (Baker et al., 2017). Additionally, the Fed has placed restriction on dividends and share issuances for banks that had scenario results that were unfavourable (Baker et al., 2017).

Additionally, there is the risk that shadow banks posed to the banking sector and the economy that needs to be managed by the Fed. Federal regulators in the United States have gaps in their risk mitigation measures; they fail to manage risk posed by the shadow-banking system (Herr, 2016). Additionally, the relationships between commercial banks and the shadow-banking system should be regulated (Herr, 2016). Shadow banks were branded as an institution incentivised into being by the Fed and new regulations. Capital regulation caused more regulatory arbitrage and was linked to a large migration of traditional banking activities towards shadow-banking activities (Lin et al., 2018). However, Deos et al. (2015) have skepticism around Basel III regulation effectiveness; bankers were incentivized to migrate to shadow-banking activities to generate more profits, and lower-cost operations. Nisha (2016) warns too much regulation on banks can cause their managers to engage in more risky behaviour to generate profits. Banks with strong parent and subsidiaries tend to be engaged in risky activities and high-risk projects with problematic performances (Bressan, 2017). The banks tend to issue more subordinated debt securities, pay high interest and incur high funding cost (Bressan, 2017). Interest rate shocks have been used as a tool to identify monetary policy issues by the regulators to determine the relationship between capital requirements and aggregate risk in the market (Aliaga-Díaz & Olivero, 2012). Banks have to take turns in their recapitalise activities to ease the burden/stress on the economy that all of them capitalising at the same time would result in negative impacts (Aliaga-Díaz & Olivero, 2012). This could cause a reduction in bank credit, have negative impacts on investment and promote bank dependency (Aliaga-Díaz & Olivero, 2012). The parent company of a bank tends to assume higher shares/percentage of nonperforming loan, decline in the corporate liquidity, which erodes the financial condition of the banking groups (Bressan, 2017). The parent company of the subsidiary bank offers them support, increase commitment,

and take on more of their substantial debt (Bressan, 2017). Erten and Ocampo (2017) mentioned there are countries that capital inflow surges during post-crisis recovery have been positive. Capital inflow/outflow and foreign exchange regulation coupled with financial sector restrictions have been effective in the reduction of foreign exchange pressures and real exchange rate appreciation as a result of large capital inflow (Erten & Ocampo, 2017). These markets' structures have positive effects on profits and competition with low risk (Mcmillan & Mcmillan, 2016). However, it should be noted that increased merger and market share concentration increase banks' risk reflected in their Z-score (Mcmillan & Mcmillan, 2016).

On the other hand, US regulators have issued guidelines relating to internal control activities banks are required to implement to ensure they maintain Tier 1 capital of 4 % of average consolidated on-balance-sheet assets (Herring, 2016). Banks have control activities that reviews the accuracy of the computation of supplementary leverage ratio calibrated against on-balance-sheet assets and off-balance-sheet exposures (Herring, 2016). Paulet (2016) mentioned the Fed requires banks to hold high-quality liquid assets subject to monitoring controls to mitigate their risk. Bank Tier 1 capital ratio requirements suggest they should choose between increasing their lending margins and reducing their risk-weighted assets (Paulet, 2016). Fed requires banks to use equity to meet their funding needs and less debt which should not impact value of the banks negatively and their overall cost of funding (Masera & Mazzoni, 2016). Banks have to establish controls that test revenue and losses projections, residential mortgages, trading revenue and capital ratios (Allen et al., 2016). Banks have designed models to perform stress test and scenario analysis, but these measures have set backs because of some of the inaccuracies in their predictions (Baradaran, 2014). These stress tests were unable to predict market risk and losses which have been seen as a potential risk to the banking sector (Baradaran, 2014).

Large banks that incurred significant losses without adequate capital could become insolvent which the Fed and central try to mitigate by providing bailout funds to the troubled bank they deemed too big to fail. Labonte (2013) asserts banks that are too big to fail can negatively impact the global financial system because of their size and interconnectedness. This protection that government provides to too big to fail banks that have significant losses was abused by bank managers and saw it as an incentive for them to undertake risky investments (Labonte, 2013). Taxpayers believe that government bailouts of banks are a burden to the public and citizens are not in full support of this tool used to rescue troubled banks. Davies (2015) offered an alternative approach to bailouts which is known as bail-in which could probably reduce the costs passed to the taxpayer by the Fed when they rescue the financial system. This alternative bail in method would impose costs on long-term creditors of the bank (Davies, 2015). These social welfare costs should be paid by the ultimate investors in bail-in bonds (pensioners and long-term savers) rather should not the paid by taxpayers (Davies, 2015). Government in the United States has sought to integrate macroprudential regulations with monetary policy as a solution in time of financial crisis (Redo, 2015). In periods where the economy is robust, government would

restrict monetary policy, weaken the risk-taking tendency and inflation pressure, and resolved to tightened monetary policy during deflation (Redo, 2015). In order for regulators to effectively create laws and guidelines to prevent and curtail wreck less and fraudulent behaviours, they need to understand the root causes of the issues, roll out strategies and guidelines to mitigate these activities (Viljanen, 2016). Across the pond in Europe, weak internal controls in banks created an atmosphere where there were significant number of money laundering activities. The lack of effective measures to combat and prevent money laundering caused HSBC (Europe) to pay $1.9b fines in 2012 and US Bancorp $613m in 2018 (Aksoy & Mohammed, 2020). The United Kingdom (UK) incurred significant losses from scandals linked to JP Morgan losses in currency default swap markets that were substantial amount to the tune of over $6 billion in losses, $1 billion in fines from the London Whale scandal (Handorf, 2017).

Ghana banking sector was hit with scandals which included Bank for Housing and construction and Ghana Co-operative Bank failures in 2000s which the Ghanian government attempted to bailout by injecting a lump sum of Ghs 1.25m to liquidate both banks (Aksoy & Mohammed, 2020). Shi and Wang (2014) noted banks are exposed to internal control risk in their accounting processes due to lack of internal control supervision system and restraint measures in banks. Several banks and public companies incurred significant losses and fines from respective government bodies due to high internal control risk which is linked to a weak internal control environment. Public companies that trade on the stock markets (NASDAQ, NYSE) have high internal control risk when they have ineffective controls; this risk can cause harm to company's image as a publicly traded company resulting in losses to the company and affiliates reflected in their bottom-line results. Banks should manage their trade risk by implementing controls that support higher trade openness, decrease bank risk through the information provided, diversified their lending activities which can decrease overall bank risk (Badar et al., 2017). The practice of higher trade openness provides international diversification opportunities and reduce banks domestic concentration by opening up other alternative markets, which can decrease the impact of domestic financial crisis on bank risk (Badar et al., 2017). Toshiba negative news as noted by Hideaki and Naoki (2021) was scandalous and impacted the company's image which caused stock prices of Toshiba's lenders to decline because of the announcement of the accounting scandals.

Moreover, the banking industry is plagued with international cyber hacker heist which affected banks in Bangladesh. Chowdhury (2021) asserts Bangladesh Bank (Central Bank of Bangladesh) loss BDT 6796 million from the treasury account in 2016 linked to cyber hacking. A subsequent investigation revealed Farmers Bank embezzled BDT 5000 million with the assistance of 11 different companies from 2013 to 2017 (Chowdhury, 2021). Additionally, Janata Bank loan scam of BDT 12300 million during 2013–16, The corrupt company, NRB Commercial Bank did misdeeds in loan sanctioned of BDT 7010 million during 2013–16, BASIC Bank Embezzled BDT 45000 million using fictitious companies and doubtful accounts during 2009–2013, Bismillah Group obtain fraudulent loans of BDT 11,740 million from banks in 2011 in fake names and name and