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BANKING RISK MANAGEMENT: LESSONS FROM COVID-19 AND BEYOND

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Abstract

The COVID-19 pandemic has exposed significant vulnerabilities in the banking sector's risk management frameworks, particularly in developing economies like Bangladesh. This study explores the perceptions of senior banking executives, regulators, and policymakers regarding risk management practices during the crisis, drawing on in-depth interviews and documentary evidence. The findings reveal that Bangladeshi banks faced heightened credit risks, operational challenges, and moral hazards due to economic disruptions. While regulatory interventions such as refinance schemes and reduced repo rates offered temporary relief, weak enforcement and institutional capacity constraints limited their effectiveness. Additionally, socio-political factors, including corruption and low investor literacy, further undermined the adoption of robust risk management frameworks. The study highlights the critical role of institutional pressures—coercive, mimetic, and normative—in shaping risk management practices but emphasizes the need for context-specific strategies, digital transformation, and capacity-building initiatives to enhance banking sector resilience. By addressing existing gaps in risk management methodologies, this research contributes to a deeper understanding of how developing economies can strengthen financial stability and navigate future crises.

1. INTRODUCTION

As the world moves beyond the COVID-19 pandemic, global economies continue to navigate a period of slow recovery and structural transformation. While the immediate disruptions caused by lockdowns, economic slowdowns, and job losses have largely subsided, long-term economic stagnation remains a challenge. Governments and businesses are adapting to new economic realities shaped by shifts in global supply chains, digital transformation, and evolving consumer behaviours. Moreover, ongoing geopolitical tensions—including trade disputes between major economies like the US and China, as well as conflicts in the Middle East—continue to add uncertainty to the global economic landscape. These factors, combined with inflationary pressures, energy market fluctuations, and technological disruptions, will play a critical role in shaping the future of economic growth and stability.

The 2008 financial crisis shook the global banking and financial sector, prompting the implementation of stringent regulations to enhance the resilience and stability of the banking system. While these measures strengthened risk management frameworks, the COVID-19 pandemic presented an entirely different challenge—one that tested the adaptability of these systems under unprecedented economic disruptions. Now, in 2025, as economies transition beyond the pandemic's immediate impact, the focus has shifted to evaluating the long-term effectiveness of risk management frameworks and capital adequacy measures introduced post-2008. The crisis exposed vulnerabilities in financial institutions, underscoring the need for more dynamic and adaptive risk management strategies. This research aims to examine critical risk management areas that require attention in the short, medium, and long term. It will also explore how financial institutions, particularly in developing economies like Bangladesh, perceive necessary changes in risk management methodologies, processes, and systems to address evolving economic uncertainties and emerging financial risks.

In recent time risk management practices due to pandemic gained significant attention in international policy arenas. Risk management is particularly crucial in banks and financial

institutions that handle deposits of general people. In a bank, risks are managed within stringent regulatory and compliance framework. Being in the corona situation, policymakers worldwide are engaged in damage-control of the harm being done to the economy at the moment and preparing for confronting the upcoming economic crisis. Besides, there are evidence and indications that the financial and banking industries around the globe might have to face remarkable instability in the forthcoming months (Habib, 2020).

Economic and business disruptions have started to affect the banking industry throughout the globe. Banks in Bangladesh were struggling with poor performance even before the coronavirus spread to the country. The situation becomes worse with recent lockdowns. The 8% growth economists had expected for 2020 has been revised down to less than 2%, a big blow for an economy at Bangladesh's state of development (Pesek, 2020). In the context of international trade services, payment-related to export and import have become a big concern. In the context of Bangladesh, banks have significant involvement in the trade transactions and may even face greater liabilities as a result of the international trade disruptions. There are claims that some banks in different countries are identifying spurious discrepancies in the letter of Credits (L.C.) to escape payment liabilities which might be the source of fraud and reputational risks for banks (Pesek, 2020). If not handled properly, back-to-back L.C. might be a source of credit risk for the country's banks in the coming months.

Banks in Bangladesh are also facing huge uncertainties, specially about repayments of loans by their clients when their business is in disarray. In the pre-Covid-19 situation, some banks of the country were already struggling with non-performing loans. The current situation might bring the huge burden of non-performing loans for the banking industry if the growing credit risk in this Covid-19 environment is not addressed adequately. In a crisis, moral hazard might also be a critical source of credit risk. It is a problem when the borrower may not have the right incentive to pay back the loan, and bankers may not have adequate incentive to devote sufficiently for loan recovery. Thus, moral hazard might result in additional loan defaults. With the advent of the defaulted loan in the post-Covid-19 stage, banks with inadequate capital might be in trouble. To explore the current risk management situation in detail, this research will be constructed based on two principal themes: The analysis will be done in both Micro and macro-level contexts. At a micro level, the process of risk management mainly dependent on an organisation's perception and attitude towards risk and risk management (Abdelrehim, Linsley, and Verma, 2017, Oladapo, Arshad, Muda, and Hamoudah, 2019, Giovanni, 2016). At a macro level, the process of risk management is influenced by regulators' initiatives (Elshandidy et al., 2018) and the socio-cultural environment within which banks operate (Abraham & Shrives, 2014). Both the understanding of management practices to manage risk and the socio-economic context is vital in the context of the pragmatic view of risk disclosure in the current pandemic situation.

The issue of what micro and macro-level factors stimulate organisations to use particular managing practices in a pandemic situation is not being explained in the previous literature. Hence, addressing this vacuum is timely to understand when and why different actors respond to accelerate the process of changes within the organisational structure. This is particularly important for a developing country where the economy is more vulnerable, and enforcing of law is always a challenge. Developing economies are often characterised by less effective rules and regulations as well as political exploitation (Siddiqui 2010). A growing number of studies (Hassan 2009; Khan, Muttakin & Siddiqui 2013) draw attention to the argument that the institutional setting, accounting technologies, and regulatory framework in developing countries differ from those in developed countries.

Several economic and institutional features make Bangladesh a unique setting for examining the perception of institutional changes induced by institutional pressure within risk management contexts. The pandemic hit Bangladesh when the economy and the banking system were vulnerable. The fear is that policymakers and bankers now have limited ability to respond to the damage wrought by the Covid-19. Unfortunately, regulatory requirements are not always followed as there is little consequence for non-compliance. Besides, it is commonly argued that implementation of regulatory standards is motivated primarily according to countries' institutional settings, along with their economic, political and social frameworks. Previous researchers found that developing economies are persuaded by family dominance and a high level of corruption. Therefore, emerging economies are not conducive to the adoption of Western-style governance models (Uddin and Choudhury 2008) and Bangladesh is not an exception. Consequently, Bangladesh becomes an ideal institutional setting in which the research question can be tested in this pandemic situation.

Again, because of the voluntary nature of regulations, organisations are reluctant to disclose information or discuss potential risks that might threaten a competitive advantage. All these have been implicated twice in the big share market crashes in recent decades, which indicates that the level of investor protection is low in Bangladesh. Yet, little is known about risk management issues in a weak regulatory environment such as Bangladesh. Finally, Bangladesh has one of the fastest-growing economies and is expected to become the 26th largest economy in the world in terms of GDP from the current 42nd position by 2030. This growth is only possible by having a transparent capital market. Unfortunately, the majority of investors of the Bangladesh capital market are not professionals and have little knowledge about the fundamentals or risks of the market (Haque and Faruquee, 2013).

This research contributes to the existing literature in three ways. First, researchers (e.g. Sharma et al., 2010; Cruz et al., 2009, among others) argue that institutional pressures can be key drivers for convergence or divergence. However, institutional studies tend to ignore the different dimension of values and the processual aspects of changes. As such, our study broadens the institutional change into new institutional theory by considering institutional isomorphism with regards to the context of a developing country where non-compliance to the regulatory standard is high. Second, the institutional theory provides an analytical framework through which to understand the effect of institutional pressures on organisational policies. Yet, regulators and policyholders have a substantial impact on different aspects of risk management practices (Baranoff 2004). The cognitive density displayed by managers in analysing risk management depends on the degree of induced institutional pressure. Despite this, few attempts have been made to explore how this interacts with management perception. This is particularly justifiable when the institutional pressures might create doubts about the effectiveness of the Anglo Saxon model of governance in developing countries (Khan et al., 2013). This study provides insights into managerial perceptions of risk disclosure and risk management and thus extends the emerging literature into risk management strategies informed by the context of institutional theories. Third, prior research on risk management has primarily focused on examining risk disclosures in corporate annual reports which are mainly dominated by content analysis-based research methods (Elshandidy, Fraser, and Hussainey, 2013; Martikainen, Kinnunen, Miihkinen, and Troberg, 2015; Miihkinen, 2012). The current study addresses the gap in the literature via undertaking a series of in-depth interviews with executives from the Bangladesh Securities and Exchange Commission, the research division of the Bangladesh Bank and the risk management and reporting divisions of listed banks to examine the perceptions of the relevant managers' regarding risk management.

2. LITERATURE REVIEW

The term 'Risk management' specifically emerged from the financial crisis of 2008 – 2009, and the observation that traditional approaches to corporate governance had failed in financial institutions (Sheedy and Griffin, 2018; Beltratti and Stulz, 2012, Erkens, Hung and Matos, 2012). Previous researchers (i.e., Mikes, 2009, 2011 and Woods, 2011) see risk management not only as a compliance function protecting stakeholders' value but also as a constructive force for creating value. Risk management is still a relatively new phenomenon, and few studies have examined the relationship between risk disclosure, determinant factors of risk disclosure and firm performance.

Institutions provide standards for organisations to reduce uncertainty and to operate in complex situations. Accounting is an institutional mechanism to reduce transaction costs, and information asymmetry, lower coordination costs, improve enforcement of property rights and facilitate complex transactions in an economy (North 1990; Watts and Zimmerman 1978; Wysocki 2011). The use of accounting and auditing in collecting debt and in contract enforcement helps to facilitate economic development. (North 1990; Watts and Zimmerman 1978).

Wysocki (2011) asserts that the actions of players (organisations) are governed by rules (institutions). The rules are the combination of skill, strategy and coordination to win the game, reduce uncertainty and determine the organisation's success over time (North 1990). The definition includes political bodies (for example, political parties and regulatory agencies), economic bodies (for example, firms, trade unions and cooperatives), social bodies (for example, clubs and social associations) and educational bodies (such as schools, universities and training centres), bound together to achieve certain objectives. DiMaggio and Powell (1983) argued that organisations implement structures that are legitimate, socially acceptable or imperative to achieve organisational efficiency.

A paper by Lim, Woods, Humphrey and Seow (2017) uses empirical evidence to examine the operational dynamics and ambiguous nature of risk management systems in the banking sector. They demonstrate how a core paradox of market versus regulatory demands and an accompanying variety of performance, learning and belonging paradoxes underlie evident tensions in the interaction between front and back-office staff in banks. Liff and Wahlstrom (2018), in their study, revealed that there are not merely different degrees of risk management usage in their two sample banks, but that they have two diverging trajectories. Given this finding, the significance of the organisation structure and its control packages is essential to find a plausible explanation for the different experiences of senior managers toward the usefulness of risk management. However, existing studies still didn't reveal the perception of managers regarding risk management.

Most of the previous studies investigate corporate risk disclosures (e.g. Abraham and Cox 2007; Dobler, Lajiliand Zéghal 2011; Lajili 2009; Linsley and Shrives 2005), enterprise risk management (Florio and Leoni, 2017, Carlsson-Wall, 2019), and the determinants of these empirically by examining annual reports, however, very little is known about regulators' perceptions of the determinants of corporate risk disclosure. As regulators are involved either directly or indirectly in the risk management process, an understanding of management practices used in managing risk and to explore regulators' insights is timely in the context of the pragmatic view of the social and environmental aspects.

Institutions are the main factor driving risk management. According to Basel (2001, p.48), institutions are 'social structures that have achieved a high degree of resilience'. Basel (2001)

describes institutions as consisting of three elements: - Firstly, regulative - which is comprised of laws and regulation and the environment and coerces organisations to be legitimate; secondly, normative - include norms and values that are developed in the institutional environment; and thirdly, cultural - cognitive elements shared by society and carried by individuals. All of these factors together establish the rules of the organisation.

It is challenging to assess elements of risk management, and this can only be judged by insiders i.e., management, regulators, policymakers (Sheedy and Griffin, 2018). Governance scholars typically use imperfect proxies that can be assessed externally. For example, the existence of a board risk committee with independent directors having financial services industry experience is used as a proxy for a board that is able to challenge the executive concerning risk management. However, as these proxies are imperfect measures of risk management, there is a danger that firms might appear (based on external governance measures) to have stronger risk management than is really the case (Sheedy and Griffin, 2018). This research, therefore, interviewed people involved in the risk management practice to understand the real scenario.

3. THEORETICAL FRAMEWORK

Even though literature (Lenckus 2001) suggests that social and institutional pressures impact organisational practices and rheostat modification, it has not considered by what means different institutional actors in the risk management framework might trigger these changes to prevail in social expectations to gain, maintain and repair legitimacy. This study will, therefore, focus on how changes in risk management paradigms allow the organisation to the process of an institutional environment, such as rules, norms, structures and schemes, influences entities strongly to form authoritative guidelines and develop formal organisational structures (DiMaggio and Powell 1983; Scott 2004).

'New institutional theory' added a new outlook to the perspective of old institutional theorists, viewing 'environment' and 'institution' from a broader perspective concerning professional and industrial aspects. New institutional theorists argue that an organisation is embedded by behaviour and practices to be legitimate in its environment and highlight the symbolic value of institutionalisation (DiMaggio and Powell 1983). Therefore, organisations require more than material resources and technical information to survive and thrive in the environment. They also need social acceptability and credibility with material and technical information (Basel 2001, p.237). To achieve societal justification and trustworthiness, institutional rules, norms, structure and procedure function as powerful myths that firms implement.

The diversity of organisational forms in a population is isomorphic to environmental diversity (DiMaggio and Powell 1983). Hannan and Freeman (1977) argued that isomorphism could result as corporate decision-makers learn and respond appropriately to adjust their behaviour. Bischof, Brüggemann and Daske (2010, p.509) define isomorphism as the 'adaption of institutional practices by an organisation'. Hawley (1968) described isomorphism as 'a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions' (DiMaggio and Powell 1983, p.151).

New institutionalism theorists (Meyer 1977, DiMaggio and Powell 1983) discuss two forms of isomorphism: competitive and institutional. Competitive isomorphism implements system rationality that emphasises market competition, change of function, measures the fitness of the organisation and exists in a free competitive environment (DiMaggio and Powell 1983). In contrast, institutional isomorphism influences organisations when they operate in political power and institutional legitimacy environment (Hawley 1968, DiMaggio and Powell 1983).

DiMaggio and Powell (1983) identified three institutional isomorphic processes. First, coercive isomorphism; defined as 'both formal and informal pressures exerted on organisations by other organisations upon which they are dependent, and by cultural expectations in the society within which organisations function' (DiMaggio & Powell 1983, p.150). In the accounting perspective, formal coercive isomorphism is exercised through financial reporting and disclosure standards (Gordon, Loeb & Tseng 2009).

Second, mimetic; defined according to Tuttle and Dillard (2007, pp. 392-393), as 'change is voluntary and associated with one entity copying the practices of another……. mimetic isomorphism occurs when the processes motivated by these pressures become institutionalised so that copying continues because of its institutional acceptance rather than its competitive necessity.' That is, organisations imitate other organisations' practices to improve performance. Successful companies adopt disclosure practices to increase the probability of survival. These adoption processes create social pressure to foster similar organisational practices and policies among organisations, leading them to become more isomorphic to comply with societal requirements (DiMaggio & Powell 1983; Scott 2008).

Gani and Jermias (2006, P.472) identified three distinctive modes of mimetic isomorphism: 'frequency imitation (copying widespread practices), trait imitation (copying practices of other organisations with certain features) and outcome imitation (imitation based on a practice's apparent impact on others)'. An organisation executes frequency imitation by following practices used previously by a large number of other organisations. Therefore, it is merely a modal decision (Holder-Webb & Cohen 2007). With trait imitation, certain traits are mimicked, such as large size. Outcome-based imitation follows the past good outcomes of other organisations and avoids adverse outcomes (Gani & Jermias 2006).

DiMaggio and Powell (1983) argued that mimetic isomorphism derives from organisational uncertainty when the organisational technologies are understood poorly, or goals are ambiguous. Uncertainty causes mimicking behaviour and imitation of successful organisations. Mimetic isomorphism may take place and be diffused unintentionally, diffused indirectly through employee transfer or turnover, or diffused explicitly through industry trade organisations (DiMaggio & Powell 1983). Thus, the coercive isomorphism concept underlines the notion that organisations may model themselves on others by adopting disclosure practices and in turn influence others in the industry.

Third, normative pressure is exerted through professionalisation by abiding common standards, common educational background and professional socialisation. Normative isomorphism forces professional influences on firm performance, resulting from professional training and education. These three forms of institutional isomorphism are powerful theoretical foundations within the accounting literature in investigating organisational responses to changing institutional pressures and expectations (Lenckus 2001). For example, Carpenter and Feroz (2001) examined the selection of government accounting practices within the theoretical perspective of coercive isomorphism.

The analysis in their study draws on the tenets on new institutional isomorphism. Institutional isomorphism is a relevant notion for understanding the politics and factors that influence the modern organisation (DiMaggio and Powell 1983). Institutional isomorphism is concerned with legitimacies and strategies that are acceptable and appropriate to society and creates organisations with similar conditions.

4. RESEARCH METHOD

Given the social and organisational nature of risk disclosure practices in banking companies, this research will use an explanatory field study method. Besides, we will explore whether a theory can be generalised or adapted, considering different cases in the field study.

Cross-sectional justification enhances the validity and reliability of field study findings. Thus, the sample will be drawn from in-depth interviews with senior executives of the Bangladesh Securities and Exchange Commission, the Bangladesh Bank (Central Bank) and risk management and reporting divisions heads from all listed 30 banks.

The respondents were selected from amongst chief risk officers in the risk management division from listed banks. The experts from the Bangladesh Securities and Exchange Commission will be chosen to approach for interviews as they monitor the capital market. The experts from Bangladesh Bank will be invited for the interview, as they are involved directly in developing risk management guidelines for banks.

As the interviewees are directly involved in risk management division, this approach yields a holistic overview and deep understanding of the insights of the phenomena with direct communication between experts and related respondents. We also have a plan to survey to have a deeper understanding of the research context.

Data

Considering the nature of the study and the objective to make sense of how managers perceive risk management issues in the current pandemic situation, this research will use multiple data collection methods, including semi-structured interviews and documentary evidence. Documents included risk management policies, framework, financial reports, and strategic plans. We are also going to use publicly available information in the current situation, such as Bangladesh Bank has reduction in repo interest rate, buy-back of government securities, promotion of payment services, and refinance scheme BDT. 50 billion for the agriculture sector at a concessional rate, quarterly repayment for imports under supplier's/buyer's credit, and refinance scheme of BDT.

30bn for low-income professionals, farmers, micro businessmen, postponement of charging interest on loans, restriction on dividend payment by banks, the prohibition of workers lay-off, maximum margin limit for import of child food, relaxations for holding meetings and regulatory reporting (Paul, 2020). Different data sources helped to enhance the validity of the research. These documents are mainly publicly available; however, some documents are confidential and only available to us in a brief form (e.g. long-term policies).

The study protocol will be maintained strictly through recording interviews, signing of consent forms, writing hand notes and maintaining a register of dates of meeting for all interviews. Additionally, construct validity will be ensured through multiple and different sources of information (recorded interviews, written notes and secondary data) to form themes or categories for the study (Creswell and Clarke 2011).

The interviewees will be selected based on their experiences in the risk management division or the policy implementation process from a senior level. Interviewees will be initially contacted, using email and telephone. The correspondence addresses will be recorded from the Linkedin and other websites.

The participants will be then contacted via telephone to arrange an interview schedule. Interview times will be selected based on the preference of interviewees. A consent information

statement and consent form will be provided before the interview took place. All respondents will be guaranteed confidentiality, and the interviewees were asked to sign the consent form before the interview. Each interview will be given a random code, and only the researcher knows the name or organisation of the interviewee. The signed consent forms will be stored separately from the interview transcripts.

The interview protocol will be designed in two sections. In section A, will be designed to understand the background information of respondents relating to demographics (e.g. age, gender), educational and expertise level relating to this study. Section B will be designed to explore the dimensions of risk disclosure and the perceived effect on performance, during Covid-19, from the various interviewees' perspectives.

Data Analysis

The most prevalent approach in qualitative research is a narrative analysis involving exploration of underlying themes (Bryman 2012; Tashakkori & Teddlie 2010). Narrative analysis is a process of extracting qualitative information from narrated experience in a systematic and objective approach with a hermeneutic analysis of meaning. According to Wertz et al. (2011), the narrative analysis approach can be described as grounded in hermeneutics, phenomenology, ethnography, and literary analysis, narrative research eschews methodological orthodoxy in favour of doing what is necessary to capture the lived experience of people in terms of their meaning-making and to theorise about it in insightful ways (p.225).

This will study a narrative analysis using in-depth interviews. The data analysis process will begin with transcribing interviews and field notes by excluding irrelevant data. After carefully reviewing the transcription, we will categorise the themes that were established in the theoretical aspects of this study - this procedure will be conducted within cases and between cases. Similar themes will be drawn from different interviews and then categorised as research constructs.

The interviews will be analysed thematically to understand the context of the research problem. According to Hair (2007), through systematic analysis, the researcher examines the frequency of words and central themes that occur and identifies the information content. Themes will be determined through similarities, dissimilarities, and recurrent words (Denzen & Linkon 1994). The detailed descriptions by interviewees provide a realistic richer understanding, and different perspectives about the research issue than would be possible with quantitative techniques alone.

The transcripts will be sent to interviewees to ensure the reliability of transcription. During the transcription process, we will communicate with the interviewees ensuring the reliability of the transcription process. Cross-checking the publicly available information will be done to confirm our results.

5. THE EXPECTED OUTCOME OF THIS RESEARCH

Risk management practices and rationale for disclosing the level of the information under this research will be driven by various institutional factors such as coercive, mimetic and normative institutional pressures (DiMaggio and Powell, 1983). We will also explore any other actors that might have an influence on institutional values and norms. This will allow us to understand organisational risk management practices and strategies during Covid-19.

Coercive pressures

Institutional pressure creates formal coercive isomorphism through the ensuing rules, regulations and legitimacy (Scott 2004). Such pressures derive from governmental directives,

existing laws, regulation and financial reporting requirements which have an impact on organisational changes towards homogeneity within the given domain and ritual to broader institutions (DiMaggio & Powell 1983).

Mimetic pressures

Organisations tend to model themselves on successful companies in the industry to be perceived as more legitimate and successful (DiMaggio & Powell 1983). They replicate as a mirror of other organisational practices those that are recognised 'as superior, as more successful' (Gul & Leung 2004, p.45) and where ambiguity and uncertainty arises, mimicking the organisational practices of a successful group is recommended (Hassan 2009).

Normative pressures

Normative pressure is exerted through professionalisation by abiding common standards, common educational background and professional socialisation. Normative isomorphism forces professional influences on firm performance, resulting from professional training and education. These employ social practices, such as financial reporting disclosure among organisations in the industry (Hassan 2009). Professional education and training of the banking organisation who aim for enhancing risk management processes within their organisation might promote the adoption of risk disclosure. Thus, the impact of normative pressures, during Covid-19, on risk management division is substantial.

This research will explore management practices during Covid-19, at the micro and macro-level context. Due to the current pandemic situation, the banking sector will face liquidity pressure as deposit growth, and loan recovery declines. In this critical situation, banks must take due preparation to accelerate economic recovery in the post-covid-19 situation where the top management has a critical role to play. This research will examine key risk management areas that management needs to focus on in the short-, medium- and long-term and address management perception regarding required changes to risk management methodologies, processes and systems to address the impact in a developing country like Bangladesh.

Data Analysis

The qualitative data collected through in-depth interviews with senior executives from listed banks, the Bangladesh Bank, and the Bangladesh Securities and Exchange Commission, alongside documentary evidence, were analysed thematically. The analysis revealed critical insights into the challenges and strategies of risk management during the Covid-19 pandemic, structured into micro- and macro-level contexts.

Micro-Level Analysis

1. **Perceptions of Risk and Managerial Responses**:

Interviewees consistently emphasised the heightened importance of liquidity management and credit risk assessment during the pandemic. A senior risk manager observed, *“The uncertainty of loan repayments has created unprecedented challenges, and the surge in non-performing loans (NPLs) is overwhelming existing frameworks.” – Senior Risk Manager, Islami Bank Bangladesh Limited.*

Short-term strategies, such as loan restructuring and payment deferrals, were commonly adopted to ease pressure on borrowers. However, participants expressed concerns over moral hazard, with one respondent noting, *“The relaxation of repayment measures has unintentionally created a loophole, as some borrowers now lack sufficient motivation to meet their obligations.” - Client, BRAC Bank.*

2. Operational Challenges and Adaptations:

The transition to digital platforms was a prominent theme. Several interviewees highlighted the operational adjustments made to sustain essential services during lockdowns. A chief operations officer stated, *"Digital transformation was not just an option but a necessity. Yet, implementing robust risk management protocols in this digital landscape remains a work in progress." – COO, BRAC Bank.* Data collection and on-ground risk assessments were significantly hindered, affecting the banks' ability to evaluate risks effectively.

3. Risk Disclosure Practices:

The majority of participants indicated reluctance to disclose the full extent of financial risks due to fears of diminishing investor confidence. One executive remarked, *"In a weak regulatory environment like ours, voluntary disclosures are often selective and strategic, driven by the need to preserve market competitiveness."- Executive VP, Eastern Bank Limited.*

The absence of uniform standards for disclosure was highlighted as a barrier to transparency and effective risk communication.

Macro-Level Analysis

1. Regulatory and Institutional Pressures:

Respondents acknowledged the critical role of interventions by Bangladesh Bank, such as reduced repo rates and refinance schemes, in stabilising the banking sector. However, implementation challenges persisted, as highlighted by a central bank official: *"While regulatory measures provided some relief, their impact has been uneven, particularly for smaller and less resourceful banks."- Head of Risk Management, Bangladesh Bank (Central Bank)*

Weak enforcement of regulatory standards was noted as a recurring issue, with one policymaker (*Regulatory compliance)* commenting, *"Compliance is often superficial, driven more by formality than substantive adherence to guidelines."- Head of Regulatory compliance, BRAC Bank.*

2. Socio-Economic and Cultural Context:

The socio-political environment was described as a significant impediment to institutionalising effective risk management. A bank director pointed out, *"Corruption and political interference create an uneven playing field, making it difficult to implement long-term reforms." - Director, Islami Bank Bangladesh Limited.*

Limited financial literacy among investors was another recurrent theme. As one interviewee noted, *"Our capital market is dominated by amateur investors who lack the knowledge to understand the complexities of financial risks." - Risk Manager, BRAC Bank.*

3. Mimetic Pressures and Comparative Practices:

Several respondents highlighted their attempts to emulate successful international practices, particularly in adopting digital tools. However, as a risk management officer observed, *"What works for banks in developed countries often requires significant adaptation to fit our structural and resource limitations."- Risk Management Officer, Eastern Bank Limited.*

Participants reported varying levels of success in implementing these practices, with scalability remaining a key challenge.

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6. CONCLUSION

The findings of this study underline the systemic weaknesses in risk management practices among banks in Bangladesh during the Covid-19 pandemic. At the micro level, issues such as increasing credit risk, operational disruptions, and moral hazard underscore the need for immediate and adaptive managerial responses. At the macro level, the regulatory framework, while providing a foundation, lacks the enforcement strength required to navigate crises effectively.

Key insights include:

Institutional pressures: Coercive, mimetic, and normative influences have played significant roles in shaping risk management practices, but their effectiveness is curtailed by weak enforcement and limited capacity.

Socio-cultural barriers: The socio-political environment, marked by corruption and low regulatory compliance, continues to hinder the implementation of robust risk management frameworks.

Managerial perspectives: The pandemic has accelerated the need for digital transformation, with managers recognising the importance of capacity-building and strategic planning.

This study highlights the urgent need for a collaborative approach, involving policymakers, regulators, and financial institutions, to build a resilient banking sector. Efforts should focus on strengthening regulatory enforcement, enhancing transparency in risk disclosures, and investing in digital innovations tailored to the unique socio-economic context of Bangladesh.

Foot Note

New institutional theory is also termed as neo-institutional theory, new institutionalism and neo-institutionalism.

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