



Banking Sector's Corporate Governance Practices: Study on Rangpur Region in Bangladesh

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Authors' contributions

This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.

Article Information

DOI: 10.9734/AJEBA/2020/v16i330241

Editor(s):

(1) Dr. Maria Ciurea, University of Petroșani, Romania.

Reviewers:

(1) Achyut Krishna Borah, Gauhati University, India.

(2) Dalia Adel Abbass Elsayed Nasser, Egypt.

Complete Peer review History: <http://www.sdiarticle4.com/review-history/59455>

Original Research Article

**Received 18 May 2020
Accepted 23 July 2020
Published 03 August 2020**

ABSTRACT

This research paper is an endeavor to look at the present status of corporate governance in banking sector of Bangladesh. Corporate Governance ensures to bring transparency, accountability and professionalism within the management system of a company body that enhances the credibility and acceptability to the shareholders, employees, potential investors, customers, lenders, governments and every one other stakeholder. This is often truer just in case of banking system. To serve the study, both primary and secondary data are went to prepare this paper. Samples are collected on the premise of questionnaire by interviewing 10 randomly selected bank personnel like corporate branch manager and other concerned personnel. So as try to the study; the main issues were focused like shareholder rights and disclosure of knowledge, disclosure and transparency, board issues, audit practices, financial reporting and Human Resources Management (HRM) practices. Seven hypotheses are developed so as to spot whether banks are complying corporate governance issues or not. To estimate the idea, statistical tools like mean, variance and Z-test are used. Hypotheses for the study are developed from the research questions. The results and analysis indicate compliance of CG code within the banks is above 70% and also the assumption of the 6 hypothesis only 50%. Consequently, the study recommends greater regulatory monitoring to confirm the exercise of fine governance in Bangladeshi Banks.

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Keywords: Corporate governance; transparency; accountability; banking sector; Bangladesh.

1. INTRODUCTION

Bank's corporate governance is particularly important in less developed countries like Bangladesh because economic development and growth is dependent to a large extent on well-functioning, stable and soundly managed banking system. The obvious function of code of corporate governance (CCG) is to improve the quality of corporate governance practices in Bangladesh. The code does this by defining best practice of corporate governance and specific steps that organizations can take to improve corporate governance. However, a problem which is how the CCG can be fully implemented needs to be considered. Full implementation of the code in all banks of Bangladesh would undoubtedly take a number of years and would require the cooperation of a vast number of relevant stakeholders.

The purpose of this study is to assess whether the corporate governance practices in Bangladesh have undergone significant improvement after the introduction of the code or not. The study is important for several reasons. First, we contribute to the existing literature on corporate governance in banks by providing evidence from an unexplored country like Bangladesh. As already indicated above, some existing literature supports that improved corporate governance practice in banks leads to better allocation of resources within an economy and contributes to growth. Second, the findings from the assessment of the compliance with the code of corporate governance would help the Securities and Investment Commission in Bangladesh as well as the Bank of Bangladesh to take suitable policy measures to further strengthen the corporate governance of banks in Bangladesh.

The entire scale of administration with its veracity, competence, growth and profitability includes to the corporate governance. The appropriate arrangement of resources with the governance structure determines the successfulness of the corporate governance. From this point of view, only few rules and regulations can't bring success of the corporate governance. It is essential to combine the psycho-physiological aspects with the prevailing socio-political-cultural environment of a group of people working in the entities to build-up an

effective corporate governance structure Ahmed & Gábor [1].

In Bangladesh, the contribution of industrial sectors is very poor, which can be seen as too low to eradicate the curse of abject poverty and to sustain growth. To improve the situation, different reform programs including a corporate governance reform have been undertaken in Bangladesh over the last few years. As the dominant financier for industrial and commercial activities, banks can play a vital role in Bangladesh's economy and the corporate governance of banks could have been a burning issue in the discussions, but they have been almost ignored. Banks are not only the key intermediaries between lenders and borrowers, but also providers of financial information on the economy.

2. REVIEW OF LITERATURE

Fama [2] and Fama and Jensen [3] consider the board as an important element of corporate governance and acknowledge the role of outside directors as monitors of management and providers of "relevant complementary knowledge".

Cadbury Report CFACG, [4] described corporate governance as a system by which companies are directed and controlled. Another thought refers corporate governance as interrelationship of corporate direction with firm performance.

Rwegasira [5] mentions that CG is more applicable to countries where banks are the primary sources of finance for the companies. Such models are characterized by the presence of a two-tier board structure: bankers and other non-executive directors are members of the supervisory or oversight board, whereas the managers are members of the management board.

Mukherjee-Reed [6] investigates reasons for India's adoption of the Anglo-Saxon model of CG. The paper compares the performance of the Indian CG model with three basic claims made by the Anglo-Saxon model: firstly, liberalization will result in increased corporate growth and profits; secondly, sustained macro-economic growth will facilitate overall level of opportunities, and benefits to the society; and thirdly, the model

will ensure increased transparency in corporate dealings and provide greater investor protection.

A Company Governance Score (CGS) reflects Standard & Poor's assessment of an individual company's corporate governance practices and policies. This focuses on the internal governance structure and processes at an individual company. For purposes of the CGS, corporate governance encompasses the interactions between a company's management, its board of directors, shareholders and other financial stakeholders McGraw-Hill Companies Inc., [7].

Reed [8] investigates adoption of CG models in emerging economies. The paper states that, typically, emerging economies tend to adopt the Anglo-Saxon (shareholder) model of CG.

Sobhan [9] Like many other developing economies, the Bangladesh corporate sector is characterized by high ownership concentration, reluctance of the corporate sector to raise funds through the capital markets, lack of shareholder activism, availability of bank financing, and poor enforcement and monitoring of regulations.

Arun and Turner [10] supported the need for the broader approach to corporate governance for banking institutions and also argue for government intervention to restrain the behavior of bank management.

Arnold [11] who mentions that International Development Association (IDA) such as the World Bank, the International Monetary Fund (IMF) and the Asian Development Bank (ADB) could be regarded as "the new colonizing influences arising from globalization of economic governance". Influences of development agencies in accounting standard setting in emerging economies are also reported by a number studies.

Baxi [12] asserted that India needs to learn a great deal from the experiences of UK, USA, Canada and Europe in evolving an appropriate framework for enforcing higher standards of corporate governance.

Brigham and Ehrhardt [13] stated that corporate governance is the set of rules and procedures that ensure that managers do indeed employ the principles of value based management.

Cullen et al. [14] suggest that the agency and stewardship theories center upon the firm and

the attainment of corporate goals. At the level of the firm, agency theory focuses upon the conflicting interests of principles and agents. Stewardship theory purports interest alignment between the steward and organizational objectives.

The World Bank described that corporate governance should be based on four "pillars" – Responsibility, Accountability, Fairness and Transparency (RAFT). Similarly, corporate governance can be defined as the relationship among shareholders, board of directors and the top management in determining the direction and performance of the corporation (Wheelen and Hunger, 2006). [15]

Zattoni and Cuomo [16] apply efficiency and institutional perspectives to investigate the global diffusion of CG practices. The paper argues that, in countries with poor protection of investors' rights, the potential benefits of adopting CG practices are greater than in countries with strong protection of investors' rights.

Ahmed and Uchida [17] define corporate governance as a mechanism by which companies are governed and/or monitored by the stakeholders: shareholders, auditors, regulators, credit agencies, and so forth.

Uchida et al., [18] specifically, "structures and processes for decision making, accountability, control and behavior at the governing body" (Public accounts and Estimates Committee, 2002). It is also argued that corporate governance is about "finding ways" to ensure effective decision making (Pound, 1995).

Uchida et al. [19] found in their significance in investors' perception regarding corporate governance and equity return.

Ajanthan, Balaputhiran and Balasundaram [20] provide three statements why corporate governance is important for performance. They state that: "First, governance may reduce the incidence and amounts of related parties' transactions and other "self-dealing" practices. Since such transactions are usually sub-optimal from the efficiency point of view, the reduction in such transactions should translate into improved performance. Second, better governed banks may have lower cost of capital, especially if they employ subordinated debt financing. Third, better governance may translate into more efficient and streamlined operations, as the supervisory board

and management functions are separated and modernized”.

Basuony et al., [21] corporate governance mechanisms are the methods employed at the firm level to solve corporate governance problems.

According to IFC [22] at the company level, these goals begin with providing companies with a powerful analytical tool. Scorecards are a useful basis for companies to start an analysis of their governance practices. The findings of a scorecard can, in turn, be used to help the company to develop a corporate governance improvement plan. The ultimate outcome should be better operational performance and lower risk as a result of better governance practices.

Andries, Capraru, Mutu [23] investigated that “the link between corporate governance and bank efficiency has been analyzed by very few studies with inconclusive results.

Nawaz, Iqbal, & Ehsan [24] analyzed the relationship between corporate governance (CG) and social performance (SP) of microfinance institutions (MFIs) by introducing CG index for the first time purely in the perspective of Asian MFIs. The results indicate that SP is an important determinant of CG mechanism of MFIs even after controlling for MFI-related characteristics.

Moussa [25] examined the impact of corporate governance variables of board size, board composition and board gender diversity on credit risk. The evidence provided beneficial information for supervising authorities, stakeholders and academics, and banks should take this into account during the composition of their board of directors.

3. OBJECTIVES

The broad objective of this study is to observe the guidelines and the current status of the corporate governance (CG) practices of the banking sector of Bangladesh on Rangpur region.

The specific objective is to appraise the current practice of CG in terms of accountability to stakeholders and to evaluate how far the current practice of CG passes the test of fairness. As well as to evaluate the extent of transparency in CG perceived by all stakeholders and to examine the state of human resource management (HRM)

practices in the banking sector of Bangladesh. Also, to find out whether Banking Sector gives full disclosure on their financial statements or not. In addition to know the role, duties and responsibilities, composition, structure, practices, remuneration, and performance evaluation and training of the members of different Board of Directors and to examine the composition of Corporate Governance in the selected bank Bangladesh.

4. RATIONALE OF THE STUDY

This study paper has both academic and policy implications. First of all, it will enrich our knowledge about corporate governance, the compliance status, practical situation of corporate governance in our country and the magnitude of disclosure of corporate governance by the banks of our country. The findings of this policy paper may contribute to Government, private sector, NGOs, academia and civil society.

5. METHODOLOGY

The main objective of this study is to determine the guidelines and current status of the corporate governance in banking sectors of Bangladesh. Therefore the nature of the study is descriptive. The study is both qualitative and quantitative in nature.

5.1 Hypothesis Development

The study analyses a set of testable hypothesis the Null Hypothesis (H_0) versus the Alternative ones (H_1) to examine current status of the corporate governance in banking sectors of Bangladesh.

5.2 Sources of Data

For the preparation of the research paper, information sources were identified first. Information is basically collected from two sources. One is primary source and the other is secondary source.

Primary data has been collected from direct interview with some professionals of the banks. Besides, i have provided questionnaire to the employees of the banks. From here I have collected some sorts of information for study purpose. The secondary sources of information were collected from the DSE library and several publications like books, magazines, journals

annual report, and websites of the following 10 scheduled banks of Bangladesh.

been developed based on the corporate governance codes for Bangladesh.

5.3 Sampling Method

Non-Probability sampling technique was used as a sampling method. Under which convenient technique has been used to gather primary data. And sample size has been determined 10 scheduled banks those have branches at Rangpur region in Bangladesh.

5.5 Research Method

To do this study a questionnaire has been developed to collect information about corporate governance practiced by the sample banks. The questionnaire has been divided into different sections such as company profile, shareholders rights and disclosure, public disclosure and transparency, effectiveness of the board, function of the board, and effectiveness of the independent directors. The questionnaire was made to allow for in depth interviews with key individuals of the banks.

5.4 Questionnaire Development

The questionnaire consists of both open and close ended questions. The questionnaire has

i	H ₀	The state of affairs of shareholder rights and disclosure of information is being met the corporate governance codes by the banks.
	H ₁	The state of affairs of shareholder rights and disclosure of information is not being met the corporate governance codes by the banks.
ii	H ₀	The state of affairs for disclosure and transparency is being met the corporate governance codes by the banks.
	H ₁	The state of affairs for disclosure and transparency is not being met the corporate governance codes by the banks.
iii	H ₀	The state of affairs of board of director's issues is being met the corporate governance codes by the banks.
	H ₁	The state of affairs of board of directors issues is not being met the corporate governance codes by the banks.
iv	H ₀	The state of affairs of financial reporting is being met the corporate governance codes by the banks.
	H ₁	The state of affairs of financial reporting is not being met the corporate governance codes by the banks.
v	H ₀	The state of affairs of audit practiced by the banks is meeting the corporate governance codes.
	H ₁	The state of affairs of audit practiced by the banks is not meeting the corporate governance codes.
vi	H ₀	The state of affairs of HRM policies adopted by the banks is meeting the corporate governance codes.
	H ₁	The state of affairs of HRM policies adopted by the banks is not meeting the corporate governance codes.
vii	H ₀	The corporate governance codes are practiced by the banks as per the assumption.
	H ₁	The corporate governance codes are not practiced by the banks as per the assumption.

Chart 1. Set of hypothesis

Serial No.	Name of the bank	Serial No.	Name of the bank
1.	One Bank Limited	6.	Dhaka Bank Limited
2.	Union Bank Limited	7.	Mercantile Bank Limited
3.	Bank Asia Limited	8.	City Bank Limited
4.	Social Islami Bank Limited	9.	Southeast Bank Limited
5.	Dutch Bangla Bank Limited	10.	Shahjalal Islami Bank Limited

Chart 2. The list of sample banks is given below

5.6 Measuring Instruments

Scales Include 5 point likert scales: Where;

5= Strongly agree, 4=Agree, 3=No opinion, 2= Disagree, 1= Strongly disagree

5.7 Data Examination Technique

In this step, each element of the major issues of corporate governance has been tabulated and analyzed. For some analysis here, percentage system has been used. It has been presented in terms of tables, figures, and graphs as well as written scripts. For processing and analyzing numerical data Population means, Standard Deviations and “z” test have been used in the study.

Population Mean, $(\mu) = n \times p$

Standard Deviation, $(SD) = \sqrt{(n \times p \times q)}$

Calculated z value: $z = (x - np) / \sqrt{(n \times p \times q)}$

Where,

n = Number of total attributes
 x = Number of complied attributes
 p= Assumed Probability of compliance
 q = Probability of non-compliance

First, we calculate the z value. Then, comparing with the critical or table value of z at 5 percent significance level. Finally, we make decision regarding the acceptance or rejection of null hypothesis.

6. RESULTS AND DISCUSSION

6.1 Shareholders Rights and Disclosure of Information

To know the shareholders rights and disclosure of information several factors were examined, such as practicing of voting in AGM, adequate information on Agenda, disclose major shareholders information etc. These are important elements for ensuring good governance at the corporate level to safeguard the rights of large and small investors in the company. The compliance levels of CGC are as follows.

Table 1. Shareholders rights and disclosure of information

Corporate governance code	Compliance (%)	Noncompliance (%)
	Yes	No
Is there any practice of voting in AGM?	90	10
Does the bank apply adequate information on agenda?	100	0
Does the bank provide adequate time for questions & placing issues?	70	30
Does the bank disclose major shareholder's information?	40	60
Disclosing candidates before meeting?	60	40

Source: Questionnaire Result

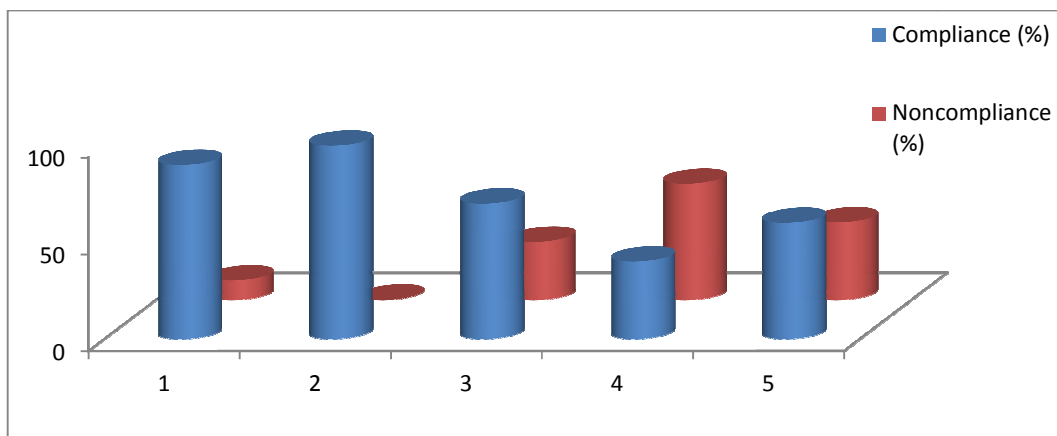


Fig. 1. Shareholders rights and disclosure of information

Hypothesis- i:

H₀: The state of affairs of Shareholder Rights and Disclosure of Information is being met the corporate governance codes by the banks.

H₁: The state of affairs of Shareholder Rights and Disclosure of Information is not being met the corporate governance codes by the banks.

Here, n= 5, x= 4, p= 0.90, q= 0.10

Now, Population mean, (μ) = n×p = 5×0.90 = 4.5

Standard Deviation, (SD) = √(npq) = √(4.5×0.10) = 0.6708

And the calculated z value:

$$z = (x-np)/\sqrt{(npq)} = (4 - 4.5)/.06708 = -0.746$$

At a 5% significance level, the critical value or table value of z = ±1.96 and the calculated value of z = -0.746 falls in the accepted zone.

Consequently, there is inadequate sample evidence to reject Ho, which implies that 60% or more of banks comply with 90% or more of financial reporting issues. In the sample, it is only 80% (4/5*100%) of the CG codes on Shareholder Rights and Disclosure of Information has been complied with by more than 60% of the banks.

6.2 Disclosure and Transparency

The relevant data on disclosure and transparency of various issues provided a clear picture of the practices of CG codes and it was found that the situation is satisfactory. The compliance levels are as under.

Hypothesis- ii

H₀: The state of affairs for Disclosure and Transparency is being met the CG corporate governance codes by the banks.

H₁: The state of affairs for Disclosure and Transparency is not being met the corporate governance codes by the banks.

Table 2. Disclosure and transparency

Corporate governance code	Compliance (%)	Noncompliance (%)
Resume of directors?	80	20
Remuneration of directors?	50	50
Fees paid to external auditors?	30	70
Policies on risk management?	100	0
Significant changes in ownership?	50	50
Governance structures and polices?	100	0
Disclosing semiannual report?	90	10
Audited financial statement?	100	0
Website in English?	100	0
Is there any informative website?	100	0

Source: Questionnaire Result

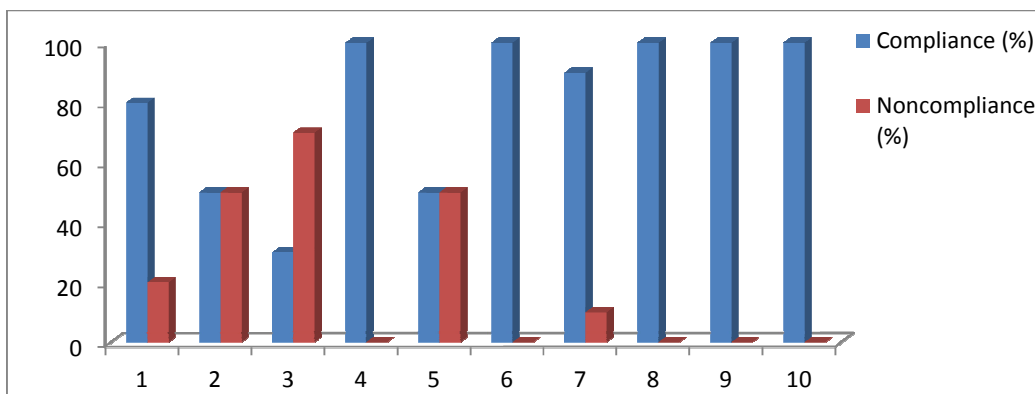


Fig. 2. Disclosure and transparency

Here, $n = 10$, $x = 7$, $p = 0.90$, $q = 0.10$

Now,

Population mean, $(\mu) = n \times p = 10 \times 0.90 = 9$

Standard Deviation, $(SD) = \sqrt{(npq)} = \sqrt{9 \times 0.10} = 0.95$

And the calculated z value:

$$z = \frac{(x - np)}{\sqrt{(npq)}} = \frac{(7 - 9)}{0.95} = -2.11$$

At a 5% significance level, the critical value or table value of $z = \pm 1.96$. Here the calculated value of $z = -2.11$ and reject the H_0 . Consequently there is inadequate sample evidence to accept H_0 .

6.3 Board Issues

Every bank has some board issues to examine the effectiveness of the board. In the research, researcher was determined several factors, such as presences of compliance officer, size of board of director, presence of independent directors. The interests of the investors and other stakeholders in the company are safeguarded through various committees. There are three major committee are recommended. These are the audit committee, the compensation committee and the nomination committee. From there researcher reveals that all banks have audit committees and nomination committees but only 50% of compensation committees. Every bank has a finance expert in its audit committees and follow written mission of BOD. Only 40% presence of independent directors and only 50% banks provide the directors training.

Hypothesis- iii

H_0 : The state of affairs of Board of Directors Issues is being met the corporate governance codes by the banks.

H_1 : The state of affairs of Board of Directors Issues is not being met the corporate governance codes by the banks.

Here, $n = 15$, $x = 10$, $p = 0.90$, $q = 0.10$

Now,

Population mean, $(\mu) = n \times p = 15 \times 0.90 = 13.5$

Standard Deviation, $(SD) = \sqrt{(npq)} = \sqrt{13.5 \times 0.10} = 1.16$

And the calculated z value:

$$z = \frac{(x - np)}{\sqrt{(npq)}} = \frac{(10 - 13.5)}{1.16} = -3.02$$

At a 5% significance level, the critical value or table value of $z = \pm 1.96$. Here, the calculated value of $z = -3.02$ and reject the H_0 . Consequently, there is inadequate sample evidence to accept the H_0 .

6.4 Financial Reporting

Banks in Bangladesh follows both Bangladesh accounting systems and international accounting systems in financial report. All the banks used accounting systems, followed BAS (Bangladesh accounting system), provide fair picture in financial report. All banks response impressive about the matter and maintaining the following compliance level.

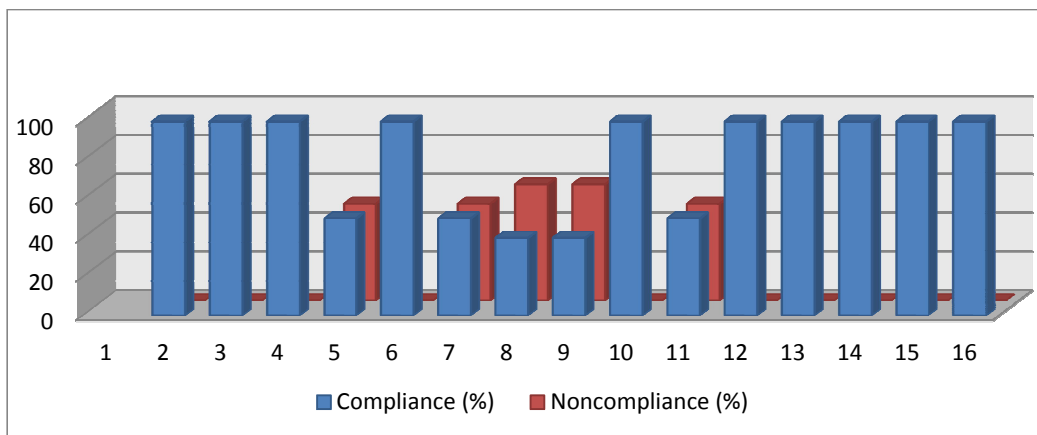


Fig. 3. Board issues

Table 3. Board issues

Corporate governance code	Compliance (%)	Noncompliance (%)
	Yes	No
Is there any written mission of BOD?	100	0
Does the bank maintain evaluation of mission statement?	100	0
Does the bank maintain written responsibilities of board?	100	0
Does the bank provide director's training?	50	50
Is there any compliance officer?	100	0
Is there any evaluation of board's performance?	50	50
Does the bank provide remuneration of directors?	40	60
Is there any presence of independent directors?	40	60
Is there any board audit committee in the bank?	100	0
Have any board compensation committee?	50	50
Have any board nomination committee?	100	0
Have any accounting/finance expert in audit committee in the bank?	100	0
Does the bank follow written minutes of audit committee?	100	0
Does the bank follow written rules of audit function?	100	0
Size of BOD (7 to 15)?	100	0

Source: Questionnaire Result

Table 4. Financial reporting

Corporate governance code	Compliance (%)	Noncompliance (%)
	Yes	No
Does the bank follow accounting system?	100	0
Does the bank appoint a qualified CFO?	50	50
Have any Experience of CFO?	100	0
Accounts reflect a fair picture?	100	0
Does the bank follow Bangladesh Accounting Standard (BAS)?	100	0
Have any safeguard against unethical behavior?	40	60
Does the bank provide an effective internal audit?	70	30

Source: Questionnaire Result

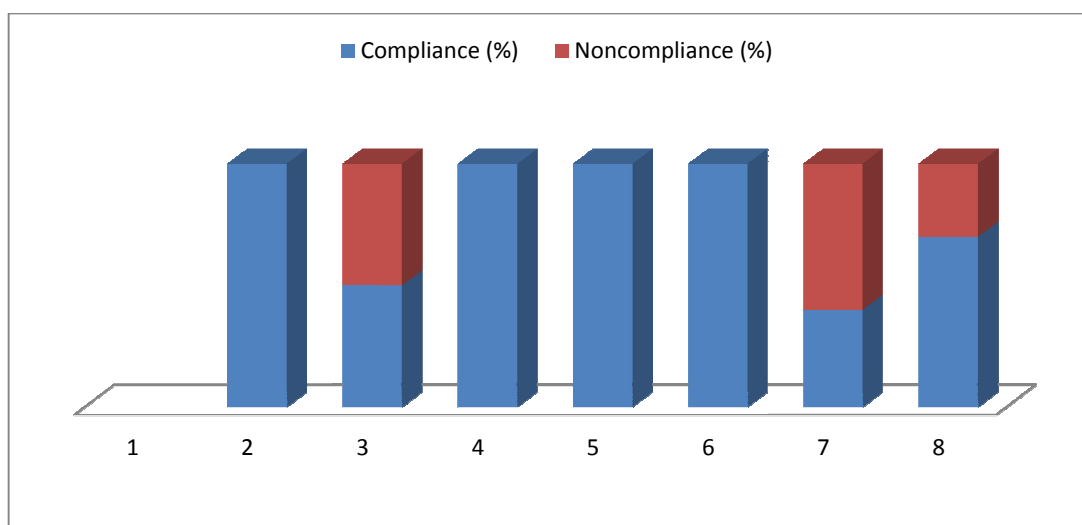


Fig. 4. Financial reporting

Hypothesis- iv:

H₀: The state of affairs of Financial Reporting is being met the corporate governance codes by the banks.

H₁: The state of affairs of Financial Reporting is not being met the corporate governance codes by the banks.

Here, n = 7, x = 5, p = 0.90, q = 0.10

Now, Population mean, (μ) = n×p = 7×0.90 = 6.3

Standard Deviation, (SD) = √(npq) = √6.3×0.10 = 0.794

And the calculated z value:

$$z = (x-np)/\sqrt{(npq)} = (5-6.3)/0.794 = -1.64$$

At 5% significance level, the critical value z = ±1.96 and the calculated value of z = -1.64 falls in the accepted zone. Consequently there is inadequate sample evidence to reject H₀.

6.5 Financial Reporting in Likert scale

In this research, researcher gives some question every bank to take an opinion about the financial report. To operate this procedure, researcher gives some point to answer each and every question like strongly agreed 5 point, agreed 4point, no opinion 3 point, disagree 2 point and till the point 1 strongly disagreed. To know the opinion researcher examined several factors such as accounts reflect a fair picture,

maintaining BAS, safeguard against unethical behavior and effective internal audit. And it is found that 50% bank are strongly agreed about the accounts reflect a fair picture and another 50% banks are agreed about the matter. It also found that most of the bank maintained BAS that is 70% of the banks strongly agreed about the matter and 30% agreed about that. Most of the banks are not able to provide safeguard against unethical behavior that's why opinions are different such as only 40% banks are strongly agree to provide adequate safeguard against the unethical behavior and only 10% are also agreed. On the other hand, 20% banks are no opinions about the matter, 10% disagreed and 20% strongly disagreed that they are able to provide this services. The opinions about effective internal audit are found that 70% banks are strongly agreed that and remaining 30% are agreed by the banks.

6.6 Audit Practices

Every bank of Bangladesh must be audited their account by both of internal auditors and external auditors. In this research, researcher take some item that are determined the audit practice such as external audit team, experienced external auditors, rotation of external auditor etc. However, auditors will usually first submit their report to the audited banks for explanation of any observation. If there is no satisfactory reply, they may report to the BOD. From the survey we have got following compliance level regarding audit practices.

Table 5. Financial reporting in likert scale

Opinion Attributes	Strongly Agree 5	Agree 4	No Opinion 3	Disagree 2	Strongly Disagree 1
Accounts reflect a fair picture?	50%	50%	0%	0%	0%
Maintaining BAS?	70%	30%	0%	0%	0%
Safeguard against unethical behavior?	40%	10%	20%	10%	20%
Effective internal audit?	70%	30%	0%	0%	0%

Table 6. Audit practices

Corporate governance code	Compliance (%)	Noncompliance (%)
	Yes	No
Audit by external audit team?	100	0
Shareholders nominate external auditor?	40	60
Experienced external auditors?	100	0
Rotation of external auditors?	50	50
Internal audit department?	100	0
Independent internal audit team?	100	0

Source: Questionnaire Result

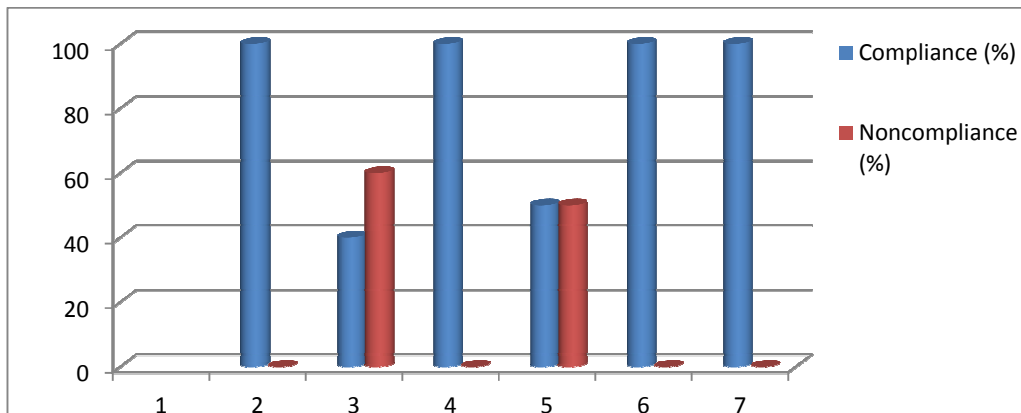


Fig. 5. Audit practices

Hypothesis- v:

H₀: The state of affairs of Audit Practiced by the banks is meeting the corporate governance codes.

H₁: The state of affairs of Audit Practiced by the banks is not meeting the corporate governance codes.

Here, n = 6, x = 4, p = 0.90, q = 0.10

Now, Population mean, (μ) = n×p = 6×0.90 = 5.4

Standard Deviation, (SD) = √(npq) = √5.4×0.10 = 0.735

And the calculated z value:

$$z = (x-np)/\sqrt{(npq)} = (4-5.4)/0.735 = -1.90$$

At 5% significance level, the critical value z = ±1.96 and the calculated value of z = -1.90 falls in the accepted zone. Consequently, there is inadequate sample evidence to reject H₀.

6.7 Human Resources Management

Every bank has a human resources management department to operate human resources activities properly. To estimate performance of this department researcher used some corporate governance codes about human resources management activities. From the study, it was found that most of the corporate governance codes are not fulfilled by the sample banks and the compliance level is not satisfactory. The activities are like self-directed team, problem solving group, job rotation, and trade union and so on. The compliance levels on human resources management are as follows.

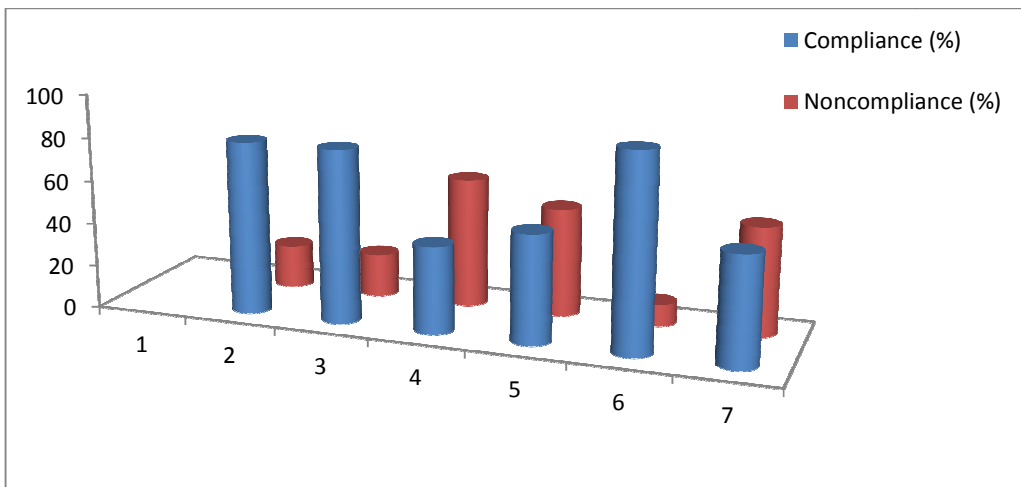


Fig. 6. Human resources management

Table 7. Human resources management

Corporate governance code	Compliance (%)	Noncompliance (%)
	Yes	No
Does the bank provide self-directed teams?	80	20
Is there any problem solving groups?	80	20
Is there any job rotation and cross training?	40	60
Is there any employee stock ownership plans in bank?	50	50
Profit sharing?	90	10
Is there any existence of trade union in the bank?	50	50

Source: Questionnaire Result

Hypothesis-vi:

H₀: The state of affairs of HRM policies adopted by the banks is meeting the corporate governance codes.

H₁: The state of affairs of HRM policies adopted by the banks is not meeting the corporate governance codes.

Here, n = 6, x = 3, p = 0.90, q = 0.10

Now, Population mean, (μ) = n×p = 6×0.90 = 5.4

Standard Deviation, (SD) = √(npq) = √5.4×0.10 = 0.735

And the calculated z value:

$$z = (x-np)/\sqrt{(npq)} = (3-5.4)/0.735 = -3.27$$

At 5% significance level, the critical value z = ±1.96 and the calculated value of z = -3.27 falls in the rejected zone. Consequently, there is inadequate sample evidence to accept the H₀.

H₁:- The value of Z-test is found to be -.746 and is significant as the level of significance is 5%

where the tabulated value z = ±1.96. Hence the null hypothesis (H₀) accepted.

H₂:- The value of Z-test is found to be -2.11 and is significant as the level of significance is 5% where the tabulated value z = ±1.96. Hence rejecting null hypothesis (H₀) and accepting alternative hypothesis (H₁).

H₃:-The value of Z-test is found to be -3.02 and is significant as the level of significance is 5% where the tabulated value z = ±1.96. Hence rejecting null hypothesis (H₀) and accepting alternative hypothesis (H₁).

H₄:- The value of Z-test is found to be -1.64 and is significant as the level of significance is 5% where the tabulated value z = ±1.96. Hence the null hypothesis (H₀) accepted.

H₅:-The value of Z-test is found to be -1.90 and is significant as the level of significance is 5% where the tabulated value z = ±1.96. Hence the null hypothesis (H₀) accepted.

H₆:-The value of Z-test is found to be -3.27 and is significant as the level of significance is 5% where the tabulated value z = ±1.96. Hence rejecting null hypothesis (H₀) and accepting alternative hypothesis (H₁).

Table 8. Summary of the hypothesis on CG practices in sample banks

SL. No.	Corporate governance code	Total investigate question	Complied issues	Compliance level (%)	Hypothesis
1	Shareholders Rights and Disclosure of Information	5	4	80%	Accept
2	Disclosure and Transparency	10	7	70%	Reject
3	Board Issues	15	10	66.67%	Reject
4	Financial Reporting	7	5	71.42%	Accept
5	Audit Practices	6	4	66.67%	Accept
6	Human Resources Management	6	3	50%	Reject

Source: Questionnaire Result

Hypothesis-vii:

H₀: The corporate governance codes are practiced by the banks as per the assumption.

H₁: The corporate governance codes are not practiced by the banks as per the assumption.

Here, n = 6, x = 3, p = 0.90, q = 0.10

Now, Population mean, (μ) = $n \times p = 6 \times 0.90 = 5.4$

Standard Deviation, (SD) = $\sqrt{(npq)} = \sqrt{5.4 \times 0.10} = 0.735$

And the calculated z value:

$$z = (x - np) / \sqrt{(npq)} = (3 - 5.4) / 0.735 = -3.27$$

At 5% significance level, the critical value $z = \pm 1.96$ and the calculated value of $z = -3.27$ falls in the rejected zone. Consequently, there is inadequate sample evidence to accept the H₀.

6.8 Final Summary

Aim of the research is to find out present scenario and the guideline of the corporate governance practices of banking sector of Bangladesh: A study on Rangpur region. The study finds that only 50% banks are practicing their corporate governance activities in accordance with corporate governance codes. To determine present scenario of corporate governance of banks, researcher used some corporate governance codes. Some brief discussions are given below:

6.8.1 Shareholders rights and disclosure of information

More than 60% banks are responded in compliance of shareholder rights and disclosure of information. Element of shareholder rights are important for ensuring good governance at the corporate level to safeguard the rights of banks in Bangladesh.

6.8.2 Disclosure and transparency

One of the important factors in corporate governance codes are disclosure and transparency. 80% banks are responded in compliance of disclosure and transparency. In this factor, remuneration of director, fees paid to external auditor, significant change of ownership information is not disclosed properly.

6.8.3 Board issues

Other important factors in corporate governance codes are board issues that are used to estimate current scenario of corporate governance practices of banking sector. More than 80% banks are complied 66.67% board issues. Board issues like written mission of board of director, bank have a compliance officer, bank have audit committee etc. from the analysis various important issues like compensation committee, directors training. Independent directors information is not disclosed properly.

6.8.4 Financial reporting

Financial reporting is used to disclose financial position of the organization. In this analysis, it is clearly examined that 80% banks are complied 71.42% financial reporting activities. Almost all the factors are complied by the banks. Information about appoint a qualified CFO and safeguard against unethical behavior is not satisfied.

6.8.5 Audit practices

There are various types of audit practices like internal audit practices, independent audit team; external audit team etc. more than 80% banks are complied 66.67% audit practices. It is important to every bank establish audit department to provide fair picture of financial report.

6.8.6 Human resources management

From the analysis it is found that only 65% banks are complied 50% human resources management activities. Most of the activities are not provide enough information. Human resources management is one of the important factors that can help to determine present scenario of corporate governance of banks.

7. CONCLUSION

Corporate governance is mainly to protect the interest of different stakeholders of the organization. In case banking sector Bangladesh bank is the key regulator for these issue. The current study estimates that compliance level of shareholder rights and disclosure is 80% and test of hypothesis is accepted. The result of hypothesis is rejected. Based on the result of hypothesis it seems to be dissatisfactory of the activities of corporate governance. Another compliance level of board issues are 66.67% by the 80% banks. From this result it can be said that use of board issues like independent

director, compensation committee are not satisfactory. It also estimates test of hypothesis is rejected.

In this analysis, it is determined that most of the banks in Rangpur region used accounting practices, appoint a CFO, use BAS in preparing financial reporting to provide a fair picture. 80% banks complied 71.42% financial reporting. Based on hypothesis it can be satisfactory. Most of the banks played a audit practices and complied level 66.67% by the more than 80% banks. And hypothesis meets the assumption that means audit practices of banks are satisfactory. From the test of hypothesis human resources management fail to meets the assumption. After estimating all factors, result of hypothesis is rejected that means it fails to meet over all assumption, it only complied 50%. In short the fairness, accountability and transparency of banks are not at satisfactory level. The banking sector of Bangladesh is becoming stronger day by day and it is playing a pivotal role in the volatile economy of this country to become Bangladesh one of the growing economies of the world in near future.

8. MANAGERIAL IMPLICATIONS

However, in view of the concluding remarks, the following significant policy implications have been made to ensure and to improve corporate governance practices in the banking sector of Bangladesh.

Significant of ownership in terms of banks disclosure and transparency should increase. Give remuneration to the directors in case of increasing effective performance. The members of Board of directors should be provided training to make them efficient in their duties. The effectiveness of independent directors should be increased in the organization to bring the transparency. The performance of Board of directors should be evaluated timely to bring the accountability in the organization.

External auditors can be encouraged to perform their duties if fees pay to them. Rotation of external auditor should be introduced in case of audit practices. Employee stock ownership plan in bank should be introduced. Banks need to use some safeguard against unethical behavior.

9. LIMITATIONS AND FUTURE RESEARCH

There are few limitations regarding this paper. The first limitation is the source of information.

There is no well-furnished publication about the corporate governance in the DSE (Dhaka Stock Exchange) and SEC (Chittagong Stock Exchange) library. Officials of Banks are reluctant to give necessary information for research purpose. Moreover some terminologies were not familiar to some respondents then it needed to make the respondent understand first which took longer.

Nowadays corporate governance is one of the most critical issues in management. It should be researched more and more. Banking sector is an established sector in our country. But many of us don't know about the corporate governance practices that are followed in this sector over the years. That's why further research work would have to be carried out in the future on this field by incorporating many other factors in the questionnaire.

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COMPETING INTERESTS

Authors have declared that no competing interests exist.

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Peer-review history:
The peer review history for this paper can be accessed here:
<http://www.sdiarticle4.com/review-history/59455>