The Bangladesh Accountant
LDC Graduation of Bangladesh: Challenges and Opportunities
January - March 2021

THE BANGLADESH
January - March 2021
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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

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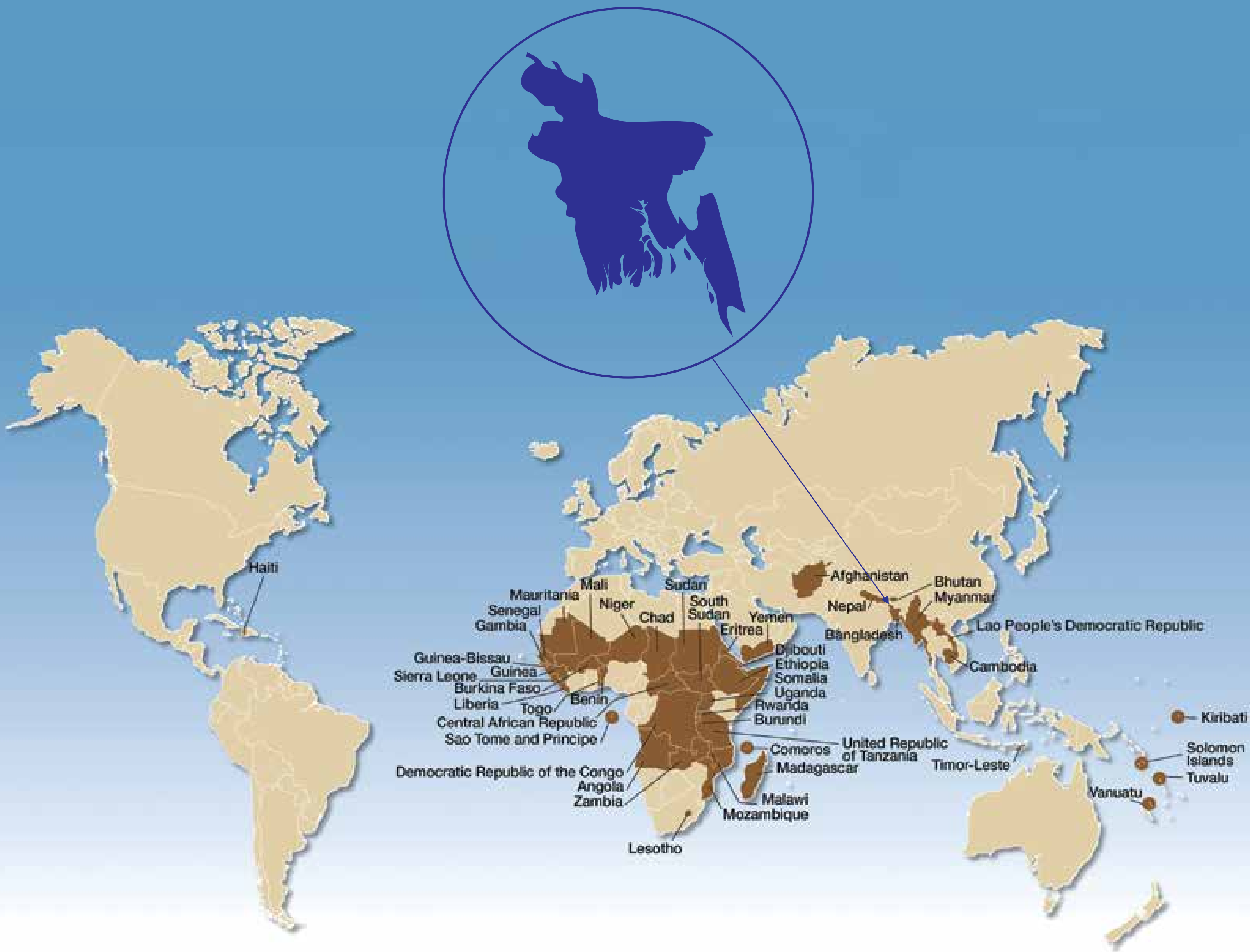

LDC GRADUATION OF BANGLADESH:

CHALLENGES AND OPPORTUNITIES

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ICAB PUBLICATIONS

ICAB publications include, inter alia, a quarterly journal titled 'The Bangladesh Accountant' and ICAB's mouthpiece ICAB Monthly News Bulletin.

In the quarterly journal, articles of ICAB Members, Members from other Accountancy bodies, Academics and Business Leaders from home and abroad are published.

The monthly news bulletin publishes different ICAB events of the month. This bulletin acts as an information hub for the Members to keep up to date what is happening in and around ICAB.

In addition to these two regular publications, ICAB also publishes books, monographs, booklets and Students' Study Manuals regularly.

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"Graduating from the LDC category is, in reality, a commendation from the international community for Bangladesh's achievements in growth and development, which in turn would boost the confidence of global financiers. Countries that have graduated previously have experienced a higher flow of FDI. "

It is understandable that the nature of this pandemic has offset our living style and livelihood. It is not becoming easy to adapt with the new normal. Many people have lost their priority. It is of no wonder that such reflection is also observed in contribution of articles or write-up for the journal like ours. Under the given circumstances, publication of 4 (four) Issues in a year is not without challenges.

However, I am happy that the Jan-March 2021 issue has been published with the theme "LDC Graduation- Opportunities and Challenges". I am sure, readers will have comprehensive understanding about the subject. Graduating from the LDC category is, in reality, a commendation from the international community for Bangladesh's achievements in growth and development, which in turn would boost the confidence of global financiers. Countries that have graduated previously have experienced a higher flow of FDI. However, these opportunities are not without challenges. We must have proper strategy to reap the benefit of this important recognition.

Preparation and actualization of a coherent and cogent transition strategy for LDC graduation would need significant effort. The graduation may not diminish the flow of foreign aid abruptly and the domestic tax collection, rather, is expected to increase significantly. For all these potentials to turn into reality, Bangladesh would need to undertake a significant amount of structural and policy reforms.

Apart from the theme article, this issue has articles on Challenges Faced by Banks and Non-Bank Financial Institutions in Bangladesh, Forensic Accounting Education, Audit Reporting Trend in Bangladesh: Opportunities and Challenges, the Implication of Using Automation Spectrum in the internal Audit Practices, which among others will be worthy to read.

I thank all the contributors and reviewers of this issue for their support which made it possible to bring out this issue of Journal. I also thank our esteemed readers for their attachments which encourages us to bring out this publication at regular intervals.

With best wishes to all..

Dr. Md. Abu Sayed Khan FCA
Chairman – Editorial Board
Council Member - ICAB

President's Desk

"Despite gloomy environment precipitated by the unprecedented pandemic which has almost forced the global economy to its knees, Bangladesh is still maintaining upward trend in different indexes like Income per capita, Human Assets Index (HAI), and Economic and Environmental Vulnerability Index (EVI)."

I extend my heartfelt thanks to the Editorial Board for their appreciable efforts to bring out this publication under the theme "LDC Graduation of Bangladesh-Challenges and opportunities". Also thanks to the contributors who has put their thoughts and acumen in their write-ups published in the journal. Needless to say, 'The Bangladesh Accountant' is manifestation of our commitment towards addressing the core issues of trade, finance and economy.

Despite the hindrance caused by the pandemic, our endeavour towards professional development is ceaseless. Keeping the limitation of Covid-19 pandemic in mind, we are continuing our activities through digital platform. A large number of Members' Conferences, Trainings, webinars are already held through Zoom Apps. The large scale participation of our members and stakeholders in these events are truly inspiring.

Turning to the theme of this issue of Journal, we are at a time when Bangladesh marks 50 years of its independence, the United Nations' announcement of graduating Bangladesh to a "developing country" from a "least-developed country" has added a time-befitting dimension to the milestone celebration. The UN General Assembly is scheduled to approve the proposal in September this year.

According to Prof Mostafizur Rahman, distinguished fellow at Centre for Policy Dialogue (CPD), "The recognition will bring new opportunities and enhance

Bangladesh's branding to global investors and others." The country is now well placed to strive for a poverty free and advanced economy by 2041. The challenges are steep but not impossible.

Despite gloomy environment precipitated by the unprecedented pandemic which has almost forced the global economy to its knees, Bangladesh is still maintaining upward trend in different indexes like Income per capita, Human Assets Index (HAI), and Economic and Environmental Vulnerability Index (EVI).

However, alongside the opportunities, there will be new challenges for the country, especially in the export market, due to the diminished trade benefits. To tackle the challenges, Bangladesh has to come out of the preferential market driven competitiveness and enter productivity driven competitiveness.

Bangladesh also has to focus on

Mahmudul Hasan Khusru FCA
President-ICAB

“The recognition is a milestone for Bangladesh, but the work is not finished with that achievement. If we become complacent, the result of the recognition may not be favourable.”

compliance, keeping aside flexibility as it will step into being a developing country. We need preparations for negotiations to retain the trade facilities and devise new ways to start new deals with trading partners.

It should be kept in mind that the privileges we used to get as an LDC in copyright, patent, ICT, and service sectors might no longer be available to us after the graduation. Foreign investors are certainly paying attention to this growing domestic market in Bangladesh as well. So, the business of new technology-based products will increase in our domestic market.

After the graduation, international trade will be more competitive. To compete with foreign competitors, Bangladesh will have to make major changes in its import-export policies. Our factories need to be more environment and labour-friendly. In the changed situation, economic diplomacy has to be more efficient than ever. After the transition, we may lose some of the ongoing benefits. The tariff benefits that we now enjoy may be lifted after 2026. If we can conduct appropriate economic diplomacy, we can extend the duration of this preparation period even longer.

The recognition is a milestone for Bangladesh, but the work is not finished with that achievement. If we become complacent, the result of the recognition may not be favourable.

More so, there is nothing to be complacent about it as the global surge of COVID infections is not over. We must follow precautionary health rules as strictly as desired as we see infections increase lately here following the worst sufferings of one of our neighbouring country. However, we hope surely the days ahead will be on our side.

To conclude, I congratulate everyone associated with the publication of the journal. I hope the readers will be benefitted going through the articles published in the journal.

I wish good health and happiness for everyone.

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ARTICLES

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

LDC Graduation of Bangladesh: Challenges and Opportunities

Shubhashish Bose

The Author is Chief Executive Officer of the Institute of Chartered Accountants of Bangladesh (ICAB)

Introduction

The United Nations held the first conference on the Least Developed Countries (LDC) in 1981 to highlight LDCs special economic needs and to generate international attention for socio-economic development of the LDCs. Since then, the UN has been holding Conference on LDCs in every 10 years, progressively adopting a Progamme of Action for next decade. The last Conference on LDCs (LDC-IV) was held in Istanbul in 2011 and the Istanbul Programme of Action (IPOA) was adopted for the period of 2011–2020.

The overarching goal of the IPOA is to overcome the structural challenges faced by the LDCs in order to eradicate poverty and achieve internationally agreed development goals. It specifically aims to enable half of the LDCs to meet the criteria for graduation within the period of 2011-2020. As Bangladesh is an LDC, this IPoA has big relevance to our journey toward the developing status.

The Committee for Development Policy (CDP), a subsidiary body of the UN Economic and Social Council, is mandated to review the category of LDCs every three years and monitor their progress after graduation from the category.

The concept of LDCs originated in the late 1960s and the first group of LDCs was listed by the UN in its resolution 2768 (XXVI) of 18 November 1971. Bangladesh was listed as a least developed country in 1975.

LDCs are low income countries confronting severe structural impediments to sustainable development. They are highly vulnerable to economic and environmental shocks and have low levels of human assets. The identification of LDCs is currently based on G.N.I per capita Human Asset Index and Economic vulnerability to external shocks.

LDC Criteria

The identification of LDCs is currently based on three criteria: per capita gross national income (GNI), human assets and economic vulnerability to external shocks. The latter two are measured by two indices of structural impediments, namely the human assets index and the economic vulnerability index:

- Income criterion, based on a three-year average estimate of GNI per capita, based on the World Bank Atlas Method (under $1,035 for inclusion, above $ 1,242 for graduation as applied in the 2015 triennial review)
- Human Assets Index (HAI) based on indicators of: (a) nutrition: percentage of population undernourished; (b) health: mortality rate for children aged five years or under; (c) education: the gross secondary school enrolment ratio; and (d) adult literacy rate.
- Economic Vulnerability Index (EVI) based on indicators of: (a) population

size; (b) remoteness; (C) merchandise export concentration; (d) share of agriculture, forestry and fisheries; (e) share of population in low elevated coastal zones; (f) instability of exports of goods and services; (g) victims of natural disasters; and (h) instability of agricultural production.

The Committee for Development Policy (CDP), a subsidiary body of the UN Economic and Social Council, is mandated to review the category of LDCs every three years and monitor their progress after graduation from the category. If the two consecutive triennial reviews meet the threshold of at least two of the three criteria, then a country can normally qualify for graduation from the LDC status. The reviews were held in 2015 and 2018.

At the request of the Government of Bangladesh, the Secretariat of the Committee for Development Policy (CDP) travelled to Dhaka from 9 to 12 October 2017 to discuss our potential graduation preparation from the LDC category. The Secretariat of the CDP met with officials from various Ministries, the Bureau of Statistics and the Prime Minister's Office, as well as with representatives from the private sector.

According to its preliminary calculations, the CDP Secretariat indicated that Bangladesh would, for the first time, meet the threshold for graduation at the next triennial review which was to be held in March 2018. Therefore, Bangladesh might have good chance to be recommended for graduation at the triennial review in 2021.

It was also mentioned that if Bangladesh attained any two criteria, for example, EVI and HAI in 2021, Bangladesh would go up the developing country status in 2024 after having additional three years' transition period. However, some of the LDC-specific facilities may remain available for another three years till 2027. Accordingly Bangladesh attained all three criteria again in 2021 and was recognised to be a developing economy.

Because of the pandemic situation faced by Bangladesh, specially the impact of it on the economy, the Govt. of Bangladesh requested the UNCDP to extend the transition period for five years in place of

The review result for Bangladesh done in 2015 marked remarkable progress and stood as follows:

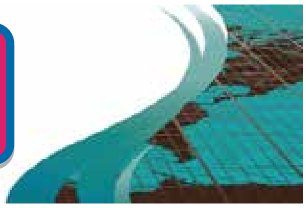
Criteria	Threshold	Progress	Target
Per Capita Income	Average of US$ 1,242 From 2011 to 2013	US$ 1,190	Not achieved
Economic Vulnerability Index (EVI)	32 or below	25.1	Achieved
Human Asset Index (HAI)	66 or above	63.8	Not achieved

Source: CDP, UN

It is evident from the above table, Bangladesh attained the economic vulnerability index (EVI) with the score of 25.1 against the required threshold of 32. Again for the second time, Bangladesh attained all the eligibility criteria at a time in 2018 which are tabled below:

Criteria	Threshold	Bangladesh's Score
GNI Per Capita	US$ 1,2 30 or above	US$ 1, 274
Economic Vulnerability Index (EVI)	32 or below	25.2
Human Asset Index (HAI)	66 or above	73.2

Bangladesh Profile: UNCDP'S Review (2021)



Criteria	Threshold	Bangladesh Score
GNI Per Capita	Average of US$ 1,230 or above	US$ 1,827
Economic Vulnerability Index (EVI)	32 or below	27.27
Human Asset Index (HAI)	66 or above	75.33

the three years for sustainability purpose.

Special Facilities for LDCs

All LDCs, including Bangladesh, are entitled to enjoying some differential and preferential facilities in the area of international trade, development assistance, including development financing and technical cooperation; and in general support and other forms of assistance.

Among the preferential facilities, Special and Differential Treatments for LDCs under the WTO agreements are the most important given our export-led economy. Under these, LDCs enjoy preferential market access including special and differential treatment from some WTO obligations (other than preferential market access), and trade-related capacity-building.

Preferential market access for goods and services

Various preferential market access facilities are available for LDCs, which include:

- Duty-free & quota-free (DFQF) market access facilities;
- GSP facilities;
- Special market access facilities for LDC members in various RTAs (Regional Trade Agreements), like SAFTA, APTA; and
- Preferential market access for trade in services under LDC Services Waiver.

Special and Differential Treatment under WTO Agreements

In the WTO system and Agreements, out of 140 Special and Differential Treatments (S&DTS) that are available for developing countries and LDCs, 15 are exclusively for LDCs. These S&DTs can be grouped into five main categories:

- increased market access;
- safeguarding of the interests of LDCs;
- increased flexibility for LDCs in rules and disciplines governing trade measures;
- extension of longer transitional periods to LDCs; and
- provision of technical assistance.

Trade-related capacity-building

An important initiative in support of the LDCs is the Enhanced Integrated Framework (EIF), the successor of the Integrated Framework (IF). The EIF is a multi-donor programme which supports LDCs to increase their participation in the international trading system. It focuses on three main activities, viz., mainstreaming trade into national development strategies; setting up structures needed to coordinate the delivery of trade-related technical assistance; and building capacity to trade, including addressing critical supply-side constraints.

Possible Impact on Bangladesh's Export

Currently Bangladesh has been enjoying DFQF facilities in all developed countries except the USA. However, the greatest benefit comes from the EU market. Along with developed countries, many developing countries, including India, China, South Korea also provided DFQF market access to LDCs, including Bangladesh, for a wide range of products. Among the developing countries, India has provided DFQF market access to Bangladesh for all products except drug and tobacco under SAFTA. As such, around 70% of Bangladesh's export is done under the DFQF facilities.

After graduation from the LDC status, Bangladesh will no longer be entitled to availing the LDC-specific S&DTs, including the DFQF market access facilities. As a result, export of Bangladesh may certainly face some strain, particularly in the EU market.

Possible Alternatives and Way Forward

Ministry of commerce is fully aware of the situation; and to face the post-LDC challenges and to minimize the negative impacts on trade, it has already started exploratory work on the alternatives including through enhancing overall trade-related capacity. Possible slate of actions under active consideration include the following, among others:

- Getting GSP+ facility from the EU GSP, when EBA (Everything but Arms) facilities will not be available. It may be mentioned that under the GSP+, EU provides duty-free facilities to 66% of total products. However, for achieving GSP+ status, a country needs to fulfill some requirements including ratification of 27 International Conventions;

- Enhancing market access of our products and services through FTA/RTAs with potential trading partners. Currently, our capacity for negotiating FTA/RTA is not competitive and initiatives are underway to further develop human resource in the Ministry of Commerce and relevant organizations. Bangladesh is considering FTAs with a number of developing countries. FTA with those countries may create additional opportunities for Bangladesh, and help minimize negative impacts on exports;

- Diversifying the products and markets are ongoing process agenda to add up with around 744 items of products, which we have been exporting at present;

- Exploring the untapped potentials where structural constraints, either at production level or in the area of management of compliance requirements, are hindering the growth. For example, the leather sector needs various supports, particularly for cleaner, higher value added production through waste and effluent treatment. Transformation has already started and it may be mentioned that industry is moving from Original Product Manufacturing (OPM) to Original Design Manufacturing (ODM);

- Adding more value through elements of fashion and design in the products,

particularly in garment products can significantly contribute to product diversification. In this context, greater emphasis has been given in establishment of more fashion and design institutes;

- Raising competitiveness by increasing productivity and reducing cost of production;
- Improving business climate and trade facilitation system are on the card to make business more cost-efficient;
- Upgrading the hard and soft business infrastructure is in progress for making trade more competitive;
- Meeting the growing energy demand including through cost-efficient and renewable energy sources to cater to the increasing need of the industry; and last but not limited to
- Encouraging the linkage industries as a part of the policy to further the supply and value chain. In this regard, the establishment of Special Economic Zones and the Active Pharmaceutical Ingredient (API) Park may be termed as visionary moves towards the future;

However, the Government is ready to explore all possibilities and to address all the issues whatever comes on the way.

Conclusion

Bangladesh has developed significant trade-related capacity and adaptability. Even withdrawal of the GSP facilities by the USA, though made a jolt, but could not make any big difference. Many predictions of disaster of the RMG sector during the phasing out of Multifibre Arrangement through Agreement on Textiles and Clothing proved to be false, with the reverse result. Bangladesh successfully steered clear of the Global financial crisis of 2007-2008 having little or no impact on Bangladesh's exports. All these reveal Bangladesh's capacity and resilience: of international trade.

Though Bangladesh will face many challenges, graduation from the LDC status would be recognition of efforts of the Government to make real development of the economy and living standards of the people. Becoming a developing country from an LDC will definitely enhance the country's image, which in turn will increase confidence of the global community for doing business with and investment in Bangladesh. However, if anything comes on the way, we'll rewrite our future by sitting with our stakeholders.

Characteristics of Developing Countries

- High income per capita
- Security is guaranteed
- Guaranteed Health
- Low unemployment Rate
- Mastering Science & Technology of
- The level of export is higher than imports.

Challenges Faced by Banks and Non-Bank Financial Institutions in Bangladesh: From Analytics to Applications

M Jalal Hussain FCA

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Introduction

Banks and Non-Bank Financial Institutions (NBFIs) are a portentous and integral part of financial management systems of a country – rich or poor, developed, developing and underdeveloped. Well-functiong Banks and NBFIs are a must for achieving the most desirable Sustainable Development Growth (SDG). They play a gargantual role in the economy of Bangladesh by accumulating the savings of the 165 million people in one hand and on the other hand invest the money in various economic activities – productive and unproductive financing in industries, export-import services, public financing, Small and Medium Enterprises (SMEs) financing and many more. Economic and financial sectors of the most of the countries of the world including Bangladesh, have been drastically sufferring from devastating COVID-19 Pandemic.

In Bangladesh, financial sectors in general and Banks and NBFIs in particular, have been facing egregious hardship and challenges come from COVID-19 Pandemic, opprobrious world-wide financial and economic conditions, reduction of exports and imports, closure of businesses and industries, mis-management, intrution of corruption and on and on. This financial sector of Bangladesh is undergoing liquidity crunch owing to a number of demand and supply side factors. Alongside, governance issues within the banking and non-banking systems have contributed to high levels of non-performing loans (NPLs), resulting in lack of trust and confidence in this sector. The recent collapse of Peoples Leasing and Financial Services Limited due to ginormous fraud, misappropriation and misuse of its funds by the Company's management, has shattered the economic and financial images of NBFIs sector by depriving and denuding its deposit holders from their hard-earned money and lost peoples trust and confidence in NBFIs.

Banking institutions of Bangladesh are licensed and controlled under the Bank Companies Act, 1991 and guided and supervised by Bangladesh Bank (BB), the central bank of Bangladesh. NBFIs are, on the other hand, licensed and controlled under Financial institutions Act 1993 and guided and supervised by BB. Nevertheless, BB is the regulatory and supervisory authority of both Banks and NBFIs, the Ministry of Finance (MoF) of the government exercises noteworthy control over Banks and NBFIs.

Challenges Arisen from Double-Standard Interest Policy

The Banks and NBFIs sectors are facing calamitous liquidity crisis of inadequate deposits due to the double standard policy that affected the investment in private and public sector as genuinely commented by financial experts and economists. The uniform lending and deposit rate or 9-6 policy hindered and stymied the deposit collection from the general depositors and eviscerate the financial stability and strength of Banks and NBFIs to a great extent. Implementation of government policy of uniform lending rate of 9% and deposit rate of 6% effective from 1st April 2020 had made it difficult and dicey to get deposits from deposit holders and created hypercritical liquidity crisis.

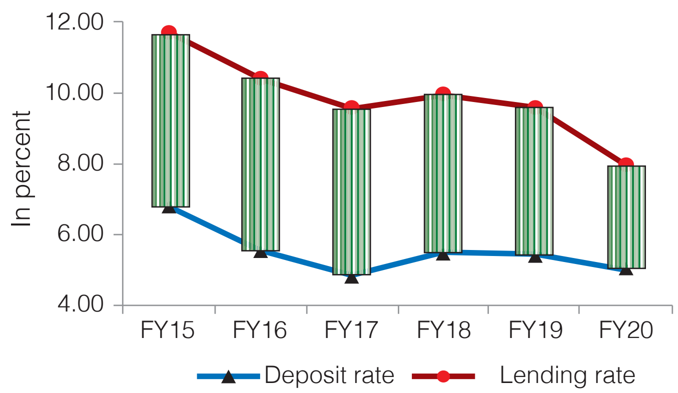
The Finance Ministry has triaged to the declining trend of interest rates in the financial markets, it lowered National Savings Certificates (NSCs) rates to 11.5 percent, which are still exceptionally higher than other deposit rates in the Banks and NBFIs sectors. Government borrows from the citizens of Bangladesh thorough NSCs. Currently, there are several NSC schemes such as: 5-year Bangladesh Sanchayapatra with an interest rate of 11.28 per cent, 3-monthly Profit Bearing Sanchayapatra with 11.04 per cent, Family Savings Certificate with 11.52 per cent interest for five years, and Pensioner Sanchayapatra with 11.76 per cent rate of interest. Due to uneven interest rate, i.e., higher-yielding NSCs, people will quickly and smartly rush to NSCs leaving Banks and NBFIs appalled. "Recently government has fixed the lending rate at 9% and deposit rate at 6% of Banking sector. This system of fixing lending and deposit rate of interest has created frustration among the management of Banks. Due to low deposit rate in Banks, general people are encouraged to invest in NSC" (Source: Prothom Alo dated 26/01/2021). The big difference in interest rates of NSCs and deposit interest rates of Banks and NBFIs severely affect investment environment in productive sectors of Bangladesh economy.

Table 4.6 Trends in Weighted Average Interest Rates of Scheduled Banks and their Spreads

Items	as of end June (percent)					
	FY15	FY16	FY17	FY18	FY19	FY20
Deposit rate	6.80	5.54	4.84	5.50	5.43	5.06
Lending rate	11.67	10.39	9.56	9.95	9.58	7.95
Spread	4.87	4.85	4.72	4.45	4.15	2.89

Source: SD, BB.

Chart 4.5 Trends in Weighted Average Interest Rates of Scheduled Banks



Source: SD, BB.

Challenges From COVID-19 Pandemic

Devastating COVID-19 Pandemic inflicted 118.63 million people and took away 2.63 million lives as on 10th March

2021 in addition to severely affecting all sectors of economies of 208 countries world-wide. Financial sectors especially Banks and NBFIs sectors of Bangladesh are the worst sufferers. Government borrowing jumped to 79 percent in April 2020 from 44.60 percent in the previous month, according to BB data. In April, export and import fell drastically and businessmen were unable to make their payments for LC. Export earnings saw an unexpected 83 percent fall year-on-year in April when imports fell by 62 percent. "The image of the country's financial sector has been tarnished in the international arena as a good number of local banks have not made import payments on time. The number of allegations placed by foreign embassies in this regard has been rising as the respective overseas lenders failed to get their export earnings in due time, according to a Bangladesh Bank report." (Source: Daily Star 27/01/2021)

Non-Performing Loans are Threats to Banks and NBFIs

Non-Performing Loans (NPLs) refers to those loans from which investing Banks and NBFIs fail to receive interest and to recover the principal as per schedule and reschedule. The NPLs are on the rise in Banks and NBFLs and has become an alarming and earth-shaking daily news in the media in Bangladesh. Bangladesh NPLs ratio stood at 8.9 % in September 2020, compared with the ratio of 9.2 % in the previous quarter. Financial experts consider 2% is the standard ratio for NPLs. BB has recently allowed Banks and NBFIs to extend loan payment schedule by rescheduling loans. As a result, the NPLs ratio is reduced but it may go up after expiry the rescheduled periods, as forecasted by the Banks and NBFIs.

"Hallmark Scam" of BDT 35,470m from Sonali Bank in 2012, embezzlement of BDT 45,000m from Basic Bank in 2013 and deceitfulness of Crescent and AnonTex of BDT 100,000m from Janata Bank in 2018, "Destiny Group Scam", "Bismillah Group scam" " Hallmark Group scam" and the recent collapse of Peoples Leasing and Financial Services Ltd. have instigated a question regarding the validity and legitimacy of credit assessment, credit supervision, board independence, management efficiency of the Banks and NBFIs, guiding, inspecting and supervising efficiency of BB. Besides, these scams are encouraging deliberate credit default behavior of borrowers. Consequently, banks face the pressure of liquidity risk, regulatory capital management risk and business risk. In addition, Banks and NBFIs are facing severe stress for their business, liquidity, investment, managerial efficiency and so on due to the substantial growth of NPLs. Economists and financial experts term NPLs as the "silent assassins'' of Banks and NBFIs.

The NPLs topic is unquestionably the single most conundrum that the Banking and NBFIs sector of Bangladesh are brooking from. The NPL rate in Bangladesh is the second highest in Asia and 24th highest in the world. Back-to-back loans, squalid risk management,

Table 5.3(a) Ratio of Gross NPLs to Total Loans by Type of Banks

(in percent)

Bank types	2011	2012	2013	2014	2015	2016	2017	2018	2019	End June 2020
SCBs	11.3	23.9	19.8	22.2	21.5	25.0	26.5	30.0	23.9	22.7
SBs	24.6	26.8	26.8	32.8	23.2	26.0	23.4	19.5	15.1	15.9
PCBs	2.9	4.6	4.5	4.9	4.9	4.6	4.9	5.5	5.8	5.9
FCBs	3.0	3.5	5.5	7.3	7.8	9.6	7.0	6.5	5.7	5.5
Total	6.1	10.0	8.9	9.7	8.8	9.2	9.3	10.3	9.3	9.2

Source: BRPD, BB.

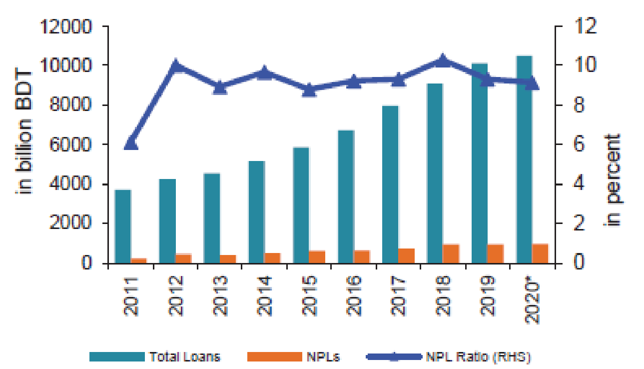
Table 5.3 (b) Ratio of Net NPL to Net Total Loans by Type of Banks

(in percent)

Bank types	2011	2012	2013	2014	2015	2016	2017	2018	2019	End June 2020
SCBs	-0.3	12.8	1.7	6.1	9.2	11.1	11.2	11.3	6.1	3.2
SBs	17.0	20.4	19.7	25.5	6.9	10.5	9.7	5.7	3.0	2.7
PCBs	0.2	0.9	0.6	0.8	0.6	0.1	0.2	0.4	-0.1	-0.5
FCBs	-1.8	-0.9	-0.4	-0.9	-0.2	1.9	0.7	0.7	0.2	-0.4
Total	0.7	4.4	2.0	2.7	2.3	2.3	2.2	2.2	1.0	0.2

Source: BRPD, BB.

Chart 5.4 Aggregate Position of NPLs to Total Loans



*Up to 30 June 2020
Source: BRPD, BB.

3.2 Total Money Lost through Major Scams, Irregularities, & Heists as reported in the media

Sonali, Janata, NCC, Mercantile & Dhaka Bank	BDT 4.89 crore
BASIC Bank	BDT 4,500 crore
Sonali Bank	BDT 3,547 crore
Janata Bank	BDT 10,000 crore
Janata Bank, Prime Bank, Jamuna Bank, Shahjalal Islami Bank & Premier Bank	BDT 1,174 crore
AB Bank	BDT 165 crore
NRB Commercial Bank	BDT 701 crore
Janata Bank	BDT 1,230 crore
The Farmers Bank	BDT 500 crore
Bangladesh Bank	BDT 679 crore
TOTAL	BDT 22,501 crore (USD 2.68 billion)

Note: As on 6th December 2018, 83.9 Taka per dollar (Bangladesh Bank).

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Source: CPD Report

weak corporate governance and supervision, political pressure and malfeasance in sanctioning loans, weak legal and regulatory frameworks for recovering loans are considered to be the grander reasons for the rise of NPLs. If a recovery case is filed against a loan defaulter, it usually takes several years to resolve, exclusively for those involving large amounts.

The most important indicator to demonstrate the asset quality is the ratio of gross Non-Performing Loans (NPLs) to total loans and net NPLs to net total loans. At the end of December 2019, the gross NPL ratio of the banking sector stood at 9.32 percent. Table 5.3 (a) shows that FCBs had the lowest and SCBs had the highest gross NPL ratio. FCBs' gross NPL ratio was 5.74 percent, whereas those of SCBs, PCBs and SBs were 23.86, 5.78 and 15.13 percent respectively at the end of December 2019.

The banking and NBFIs sectors are now stuck in a quagmire of anguishes. All parameters of the banking sector indicate its obstinate fragility with no sign of revival on the horizon. The most discussed issue in the banking sector is the sky-rocketing non-performing loans (NPLs). In June 2019, the total volume of NPLs increased to BDT 112,430 crore which was 11.69 percent of total outstanding loans. Surprisingly, state-owned commercial banks had NPLs of over 30 percent of their total loans.

High Competition in Banking and NBFIs sector is a Big Challenge

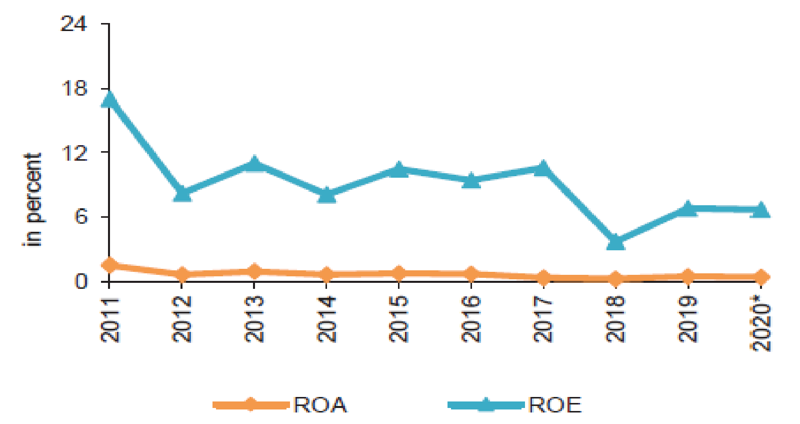
According to latest BB report, there are 61 scheduled banks – 6 state-owned commercial banks (SCBs), 3 specialized banks (SBs), 43 private commercial banks (PCBs) and 9 foreign commercial banks (FCBs). In addition, there are 5 non-scheduled banks and 34 NBFIs operating in Bangladesh. All are controlled, supervised and guided by BB. Generally, the rationale to open new banks and NBFIs depends on the size of the economy of a country, its GDP, purchasing power of the people, productivity, export, import, employment and many more economic conditions and it should not be personal or political reasons. Due to unplanned increase of Banks and NBFIs in Bangladesh, Banks and NBFIs face hard-hitting competition to attract and keep customers. To survive in the highly competitive financial sector, Banks and NBFIs have to incur more costs in different forms, their revenues are down that severally affect their profitability.

Financial experts and economists are critical about the opening new banks considering the existing economic conditions of the country. The new bank is set to join the others at a time when the banking and financial sector is perforated with a number of loan scams and bad loans due to a lack of good governance and proper surveillance. “The existing banks were already struggling to survive amid the current situation over business activities. In addition, new banks seem reluctant to expand their business to rural areas as they mainly focus on urban areas” Ibrahim Khalid former Deputy Governor of BB said. (Source: Daily Star, 13/02/2021).

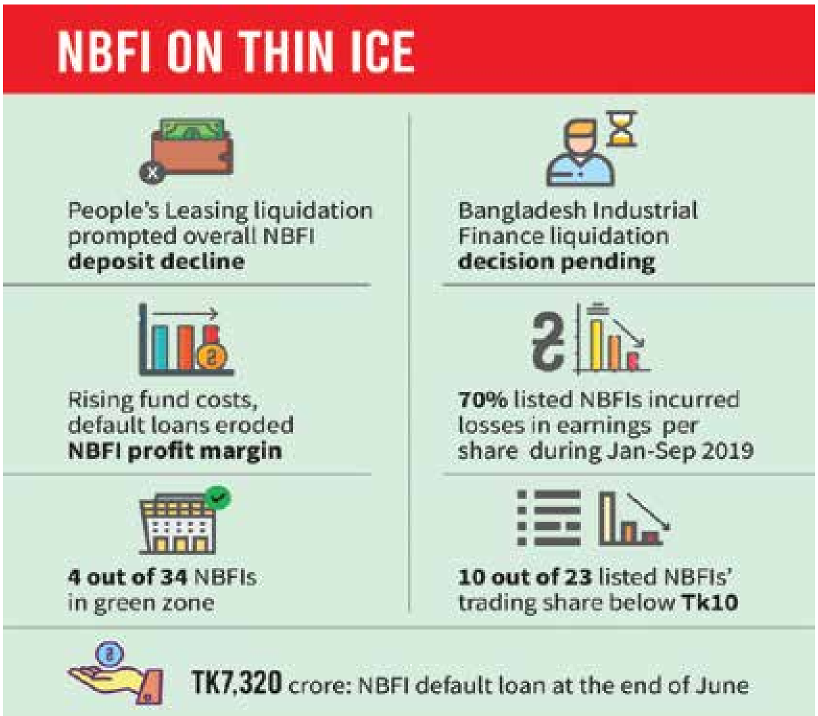
The revenues and net-earnings of the Banks and NBFIs of Bangladesh are on decline due to various causes including over-number of Banks and NBFIs. Dividends on shares of Banks and NBFIs have down-surged that ultimately affected the stock market of Bangladesh

The cost associated with stiff competition and compliance management is just one of many banking industry challenges forcing financial institutions to change the way they do business. The swelling cost of capital combined with continued low interest rates, decreasing return on equity, and decreased proprietary trading are all putting excessive pressure on traditional sources of banking profitability. In spite of this, shareholder expectations remain unbothered.

Chart 5.6 Trends in Aggregate Profitability in the Banking Industry



*Up to 30 June 2020
Source: DOS, BB.



(Source: The Business Standard dated 15/02/2021)

Amaranthine Innovation and Technology is a Challenge

Technologies are changing, upgrading and advancing at supersonic speed in all businesses and so in Banks and NBFIs. Maintainable success in business requires vision, prowess, munificent clientele relationship, and continuous innovation and latest technology. Benchmarking effective practices throughout the industry can provide valuable insight, helping Banks and NBFIs stay viable. However, benchmarking alone only empowers institutions to keep up with the pack — it rarely leads to innovation. As the truism goes, businesses must benchmark to survive, and innovate to thrive; revolution is a vital differentiator that ruptures the wheat from the repartee. Innovation stems from phantasms, and visions are discovered through customer acquaintances and monophonic organizational analysis. Some FCBs and PCBs have advanced by applying the advanced technologies and are successful in attracting high value customers and doing good businesses than the Banks that are not well equipped with latest innovation and digital-technologies.

However, Banks and NBFIs using antediluvian business management applications or siloed systems will be amateurish to keep up with this progressively digital-first world. Without a solid,

forward-thinking technological foundation, Banks and NBFIs will miss out on critical and advanced business evolution. Digital renovation is not just an upright idea — it's become domineering for survival in the competitive and emulous financial sector.

Anemic and Impuissant Internal and External Controls in Banks and NBFIs

Banks and NBFIs have their own internal audit and compliance departments. In addition, they are audited and inspected by BB audit and inspection team, external auditors, credit rating agencies and auditors from Auditor General's office if they are State-owned Commercial Banks (SCBs). Despite so many audit and inspections, the frauds and loan-scams remain undetected and unearthed, especially in case of scam involving huge amount for a long of period. This raises questions about the integrity, capability, creditability, accountability and effectiveness of the above stated internal and external audit and inspection teams and remains a big challenge for Bank and NBFIs.

It was widely published in the local dailies as earth-shacking news that the audit and inspection team members of various agencies didn't disclose and hid the loan-scams and irregularities by taking bribe from concerned Banks and NBFIs. Due to weak, feeble and ineffective management, the corrupt officials remain unpunished and, in few cases, departmental disciplinary actions are taken by transferring the convict from one department to another department or from one branch to another branch. Lack of honest, sincere, ethical and integrated senior managers in Banks and NBFIs is a serious uncontrollable challenge.

Defilement of corporate ethics and insider frauds have been termed as unfathomable risks for Banks and NBFIs. The Financial Stability Board (FSB) had submitted letter to the Finance Ministers and Central Bank Governors of G20 countries in 2019 commenting that "numerous instances of misconduct in the financial industry in recent years have damaged confidence in financial institutions and undermined trust in markets. The implications of misconduct can be far-reaching, limiting the potential of finance to serve real economies and to foster global economic growth"

Ways Forward

Strong and effective internal and external audit and inspection systems are a must to control fraud and irregularities in Banks and NBFIs. Board of Directors of Banks and NBFIs and BB management may play an important role from sanctioning a loan to recovery of loan and punishing the corrupt and criminal managers and staff rigorously. Good governance in the banking and non-banking financial sectors is very much needed.

Authorities may consider that SCBs, SBs and PCBs Boards of Directors be composed of competent, perspicacious and au courant professionals, instead of those appointed on political reasons alone. Management should allow full operational freedom in conducting banks' daily operations. Both the Board and management must be accountable to BB. BB should be allowed authority to ensure that individuals sitting on Boards possess operational knowledge of banking and finance. Promoting and introducing technology-driven and digital services and products in Banks and NBFIs may help address stiff competition and improve performances at national and global level.

The legal systems dealing with Banks and NBFIs default loans like Artaho Rin Adalat Ain 20003 and Bankruptcy Act 1997 are very complicated and lengthy. It's observed that it took many years to settle a NPL case under the said laws. To stream line the Banks and NBFIs operation, the obstacles and barriers in recovering default loans need to be removed by amending the laws and creating more courts to handle NPLs.

All NPLs are not deliberate. Some borrowers face business problems – less export due to lack of good buyers, heavy competition, lack of materials due to import restrictions and so on. Congenial invest-climate is needed for Banks and NBFIs. Local investors need to be encouraged to invest more in industries and businesses by introducing favorable rules, regulations, laws, reducing the interest gap between investment in Banks, NBFIs and NSCs.

Despite adopting various measures for smooth and dynamic operation of Banks and NBFIs, many challenges remained unresolved. It's thus important to look at other countries' planning, measures and experiences in dealing with excessive NPLs, frauds and irregularities and adopt in Bangladeshi Banks and NBFIs. To reduce NPLs to tolerable levels, creative regulatory solutions and well-designed risk extenuation techniques have been utilized in several countries in Asia, Africa, Latin America and Europe that may be applied in Bangladesh.

Banks and NBFIs management should recruit qualified, knowledgeable, intelligent, honest, sincere and integrated managers. "In looking for people to hire, look for three qualities: integrity, intelligence, and energy. And if they don't have the first, the other two will kill you" - Warren Buffett, the business magnet of USA said.

Conclusion

The financial sectors including Banks and NBFIs in Bangladesh are passing thorough a crucial and critical stage. These sectors demand a robust, resilient, well-guided and well-supervised systems to tackle the great challenges faced by Banks and NBFIs. The existing rules, regulations and laws that conflict and act as deterrent instead of perfect solution to smooth operations – sanctioning of loans, recovery of loans from defaulted clients, actions against corrupt officials, etc., need to be changed or amended. It's the time to convert the traditional banking systems to a customer-centric, digital, mobile and online banking system using latest Fin Techs. The lessons from economic and financial history tell us that no country won't be able to achieve SDGs, economic recovery and economic solvency – keeping its Banks and NBFIs in crisis. Proactive, timely and corrective steps need to be taken by the state-policy-makers, the Central Bank and the stake-holders of Banks and NBFIS to save this sector from the economic-financial-shock-waves and make it solid, strong, effective and efficient.

World Countries:
Paradox of Wealth, GDP & Debt per Capita

Masih Malik Chowdhury FCA

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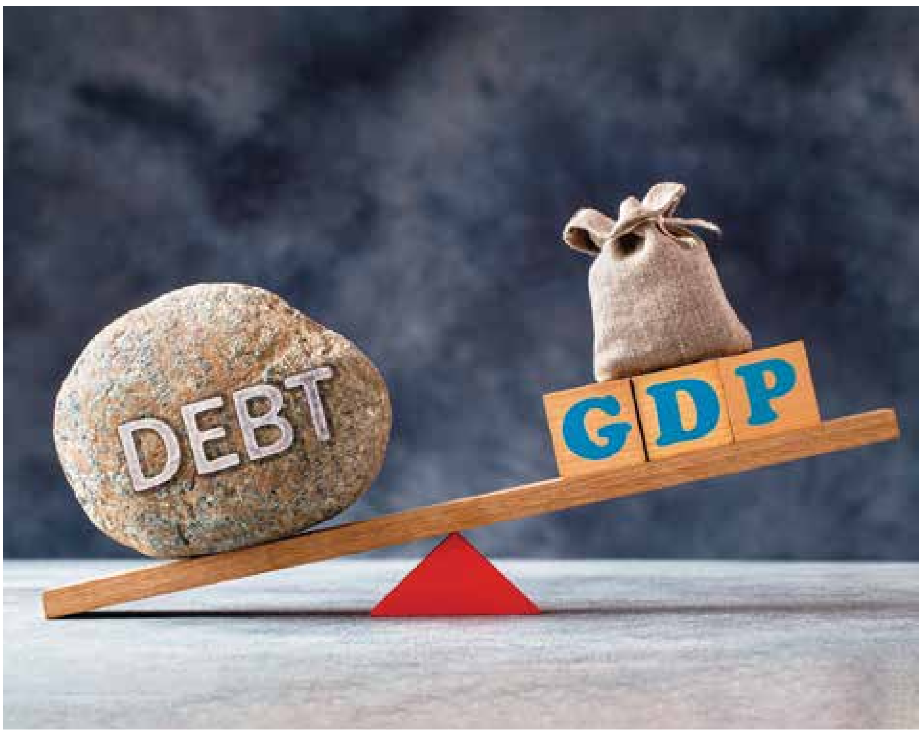
The UN has a membership of 193. A few countries & agencies are given status as observers in UN also. There are Palestine, Holy See, Taiwan among those countries. The organizations in observer status are Niue & Cook Island of NZ who were refused entry as member because of objection. International Chamber of Commerce, International Olympic Association & International Committee of Red Cross are among observes in UN. Few recognized organizations approved as observers in UN include ICC (International Criminal Court), EU (The European Union), Latin American Integration Associations, International Criminal Police Organization (Interpol), and The African Union (AU), to name a few. All countries in the study are within UN.

The article would enlighten readers about financial & population strength of the countries. The Financial data will also involve population, per capita GDP & debts etc. of some 20 nations. It will try to take account of status of world economies taking cognizance of net worth, GDP at PPP per capita & debt per capita also, searching the paradox. World GDP by countries & population are reflected in the table below, for 30 countries:



World Bank 2018 Data: GDP, Debt & Per capita Development Paradox of 42 Countries

Country 2020	Population in Million	GDP @ Nominal in Billion US&	GDP@ PPP Billion US$	National Debt in Billion US$	National Debt as % of GDP (2020)	Per Capita Debt	Per Capita GDP	Per Capita Debt as % of GDP
World	**7794**	**85,804**	**127,723**	-	-	-	-	-
USA	331	20,494	19,391	22,720	107	58,200	62,641	93
China	1439	13,608	23,301	1,971	14	1,326	9,771	14
Japan	126	4,971	5,487	4,244	85	28,200	39,281	72
Germany	83	3,997	4,187	5,801	145	65,000	48,196	136
UK	68	2,825	2,896	8,491	300	127,000	42,491	300
France	65	2,777	2,871	6,470	233	87,200	41,464	210
India	1380	2,726	9,597	543	20	383	2,016	19
Italy	60	2,074	2,411	2,472	119	42,300	34,318	123
Brazil	212	1,868	3,241	697	37	3,200	8,921	36
Canada	37	1,712	1,702	2,091	122	52,300	46,125	113
Russia	145	1,657	3,817	469	28	3,700	11,289	33
S. Korea	51	1,619	1,969	463	29	7,500	31,363	24
Australia	25	1,432	1,157	1,484	41	60,800	57,305	103
Spain	46	1,426	1,774	1,385	97	48,700	30,524	160
Mexico	128	1,223	2,344	2,390	195	3,300	9,698	34
Indonesia	273	1,042	3,243	452	44	1,499	3,894	38
Netherland	17	913	907	1,930	52	265,400	52,978	500
KSA	34	782	1,774	4,238	541	6,100	23,219	26
Turkey	84	767	2,254	440	57	2,983	9,311	32
Switzerland	9	705	550	1,840	260	213,100	82,839	257
Poland	37	586	1,112	352	60	9,500	15,424	62
Taiwan	24	575	1,120	199	34	7,400	24,827	30
Sweden	10	551	504	994	180	94,500	54,112	174
Belgium	12	532	541	1,280	240	112,000	43,325	258
Argentina	45	518	920	1,294	256	8,280	11,653	71
Thailand	69	505	1,234	284	56	73,100	6,579	1,111
Austria	9	455	463	163	36	2,170	7,274	30
Iran	84	454	1,700	694	153	90	7,305	1.23
Norway	5	434	322	604	139	117,000	81,807	143
UAE	9	412	694	220	52	23,500	43,005	55
Nigeria	206	397	1,119	109	27	60	2,028	3
Ireland	5	382	367	2,700	707	540,000	77,450	697
Israel	9	370	335	98	26	10,700	41,614	26
S. Africa	59	368	766	181	52	2,600	6,340	41
Singapore	6	364	527	1,537	422	231,000	64,582	358
Malaysia	32	354	931	221	62	6,800	11,239	60
Denmark	6	352	292	517	146	85,700	60,596	141
Philippine	109	331	1,025	81	24	720	3,103	23
Colombia	50	330	714	133	40	2,500	6,651	38
Pakistan	220	313	1,088	105	34	525	1,473	36
Chile	19	298	435	187	63	9,771	15,23	16
Bangladesh	164	348	917	91	26	160	2,068	7

Source: Websites of WB group including IMF, CIA ADB

An analysis of the data shows us different surprising aspects. The high GDP per capita countries whose per capita GDP is around US$ 40,000 or above are highly debt prone countries. Starting with USA the per capita debt: GDP is US$ 58,200:62,641. This means USA has Debt per Capita of 108% on GDP. Again Japan's GDP per capita is US$ 39,287, whereas its debt per capita is US$ 28,200, In other words 72% of the GDP per capita is Japan's Debt per Capita. Looking at China the Debt is US$ 1,326 vs GDP of US$ 9,771, making its debt @ 13% of GDP. It is less Debt prone for development finances than the recurrent Development tycons.

Before coming into its further analysis a look into 3 largest economies may be very meaningful & pertinent. USA GDP is US$ 20,494 Trillion which is US$ 13,608 Trillion for China. Again it is US$ 4,971 Trillion for Japan. In terms of purchasing power parity (PPP), the order of top 3 changes. At PPP the GDP of China with US$ 23,301 Trillion is followed by USA @ US$ 19,391 Trillions. At PPP GDP of Japan is US$ 5,487 Trillion. Although the colossal number of population of China causes its GDP per capita to be at very low level US$ 9,771 compared to highly indebted but high per capita income countries its debt is only US$ 1,326 per capita. We can safely read that high per capita cannot be the basis of complacence for the present developed countries while their debt per capita is huge. This may lead to negative net worth if per capita debt with GDP accounting is made.

Again Germany, UK, France, Italy, Canada, Spain, Australia, Netherlands, Switzerland, Sweden, Norway, Ireland, Singapore, Denmark are having similar debt vs GDP ratio. For Germany & UK this ratio is as high as 136% & 299% respectively. France, Italy & Canada are having these ratio respectively at 210%, 123% & 113%. Australia, Spain & Netherlands are respectively having debt to GDP ratio of 103%, 160%& 500% on the other hand. Switzerland has 257% of GDP as debt, Sweden @ 174%, Belgium @ 258% whose GDP capita are US$ 82,839, US$ 54,112 & US$ 43,325 respectively.

Norway has per capita debt of US$ 117,000 to GDP US$ 81,807 while for Ireland these indicators per capita are debt of US$ 540,000 & GDP of US$ 77,450. Singapore has GDP per capita of US$ 64,582 Vs debt US$ 231,000 while for Denmark GDP per capita is US$ 60,596 against per capita debt of US$ 85,700.

Of the 42 countries in the table the following had highest or around US$ 40,000 GDP per capita vis-à-vis its stated debt per capita.

This table shows all the high per capita countries have huge national debt. This may in the form of inter country development finance for infrastructures, FDI etc. & so forth.

Way back in 1960 .famous Economist Walt Whitman Rostow OBE has been the proponent of Theory of Stages of Growth. These are Traditional Society, Pre-conditions for Take-off, Drive to Maturity & Era of Mass Consumption. The US Economist Rostow passed away in Austin Texas in the year 2005. Born in 1916 he has been Special Assistant, National Security Affairs to US President Lyndon B. Johnson. Born in NY. Economist WW Rostow is greatly remembered for his Theory of Stages of Economic Growth. These 5 (Five) stages he referred to are still relevant for economic development. As per his theory, Bangladesh appears now to be in take off stage aspiring its drive onwards.

The above table deals with all the countries which are in Era of mass consumption. These countries are heavily indebted but their debts are blessings to their development. As we reckon back into it for UK the Per Capita Debt: GDP ratio is 127:42, France 41:87, Italy 34:42, Canada 46:52, Australia 57:61, Spain 30:49, Netherland 53:265, Switzerland 83:213, Sweden 54:95, Belgium 43:112, Norway 82:117, Ireland 77:540, Singapore 64:231, Denmark 61:86 etc. while for USA it is 62:58.

The Big Push theory of Economist Paul Rosenstein Rodan is also called balanced growth. This theory means a colossal amount of investment is needed to gear up an economy to be accelerated to pace of development. It stated to reap & derive benefit of external economy, a huge amount of investment will lead

Country	Million	Billion US$ GDP Nominal	Billion US$ National Debt	Debts as % of GDP	Per Capita US$	
					GDP	Debt
USA	331	20,494	22,720	107	62,641	58,000
Japan	126	4,971	4,244	85	39,281	28,200
Germany	83	3,997	5,801	145	48,196	65,600
UK	68	2,825	8,491	300	42,491	127,000
France	65	2,777	6,470	210	41,464	87,200
Italy	60	2,074	2,472	123	34,318	42,300
Canada	37	1,712	2,091	113	46,125	52,300
S. Korea	51	1,619	463	24	31,363	7,500
Australia	25	1,432	1,484	103	57,305	60,800
Spain	46	1,426	1,385	97	30,524	48,700
Netherl and	17	913	193	500	52,978	265,400
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Switzerland	9	705	1,840	260	82,839	213,100
Sweden	10	551	994	180	54,112	94,500
Belgium	12	532	1280	240	43,325	112,000
Norway	5	434	604	139	81,807	117,000
Ireland	5	382	2,700	707	77,450	540,000
Singapore	6	364	1,537	422	64,582	231,000
Denmark	6	352	517	146	60,596	85,700
UAE	9	412	220	52	43,005	23,500

Source: WB group, CIA, ADB websites.

any country into self-sustaining development. The features are big investment amount, sectoral choices, planned industrialization, economics of scale etc. In order to keep pace of development on going, Bangladesh also needs a big push. This has started already attracting some Economists observation. However good governance & accountability are yet a far cry for Bangladesh to optimise the benefit, if it wants to. It is a sheer ill luck for the nation & country that earned liberation by a war & shed blood for mother tongue

If we consider Asian countries' debts these are China is 14% of GDP, India 20%, Russia 28%, South Korea 29%, Indonesia 44%, KSA 541%, Turkey 57%, Taiwan 34%, Thailand 56%, Iran 153%, UAE 52%, Israel 26%, Pakistan 34%, Bangladesh 26%. However breaking away from this trend Singapore has exposure of debt to GDP@ 422%. Off course the per capita GDP is higher for Singapore @ US$ 64,582, KSA @ US$ 23,219 & South Korea @ US$ 31,363 & UAE@ US$ 43,005.

If we visit Africa, Nigeria's debt to GDP ratio is @ 27%, South Africa @ 49% more in line with Asian countries with 3 exceptions. The Asian & African countries are less prone to debt in their respective development finance.

In Latin America Brazil's exposure of debt to GDP is @ 37%, Mexico @ 195%, Argentina @ 250%, and Colombia @ 31% & Chile @ 63%.

We can by these countries is limited which squeezes their development strive. A paradigm shift in the development finance & new World Economic Order may not be a far cry. Come to a conclusion that Australia, EU countries & USA are wealthier at huge debt burden. Asian, Latin American countries are less prone to debt financed development except Mexico & Argentina. The paradigm for development in Asia, Africa & Latin America are in resemblance with one another. It may however be more so because access to debt funds....... ???

Macro-Economic Aspects:
National Budget 2021-22 and Expectations

Compilation of Pre Budget webinar discussion organized by ICAB & Economic Reporters Forum (ERF)
by
Abu Taher
Senior Assistant Director
(Press & Publication), ICAB

Speakers at a webinar emphasized on strengthening the ongoing vaccination programme, carrying out necessary tax reforms and reducing the corporate tax rates, ensuring proper budget implementation and quality spending of development projects, addressing the livelihood issues in the context of pandemic, prioritizing the CMSMEs, and the health sector to mitigate the health-related risks, widening social safety nets, raising the tax-GDP ratio, generating more employment and bringing the education sector under the purview of the stimulus packages.

They also opined that the next budget should not be conventional and recommended the tackling of Corona crisis as a top priority, and getting out of the 'obsession' with GDP growth.

Country's leading economists, professionals, business leaders, and civil society representatives gave their recommendations at a webinar titled "Macroeconomy: Expectations from National Budget 2021-22" organised by the Institute of Chartered Accountants of Bangladesh (ICAB) and the Economic Reporters' Forum (ERF) on 4 May 2021. The programme was moderated by Md. Humayun Kabir FCA, Council Member and Past president, ICAB.

The Chief Guest on the occasion, Dr. Mashiur Rahman, Economic Adviser to the Hon'ble Prime Minister said, it is important to monitor whether the flow of investment increases as a result of the tax cuts. He thinks that if there is a lack of trust, investment will decrease. Mr. Rahman also stressed the need for boosting confidence among the businesses and investors, attracting more FDI, ensuring skills development and, sound basic education up to secondary level.

Stressing the need for carrying out necessary reforms in the financial sector and in the revenue sector he said, there could be a long discussion on reforms in the banking sector and tax administration and added that, reforms in the capital and bond markets are also necessary to attract large-scale investors. If the lion's share of deficit financing could be made available from the foreign sources, then its impact in the domestic sector would not be that much, the adviser noted.

About provision of whitening the black money, this time the presidents of the two big business organizations of the country took a stand against laundering black money. They are Barrister Nihad Kabir, president of the Metropolitan Chamber of Commerce and Industry (MCCI) and Rizwan Rahman, president of the Dhaka Chamber. They criticized the opportunity to legalise black money through payment of lower amount of tax, saying honest businessmen pay taxes at the highest rates.

Nihad Kabir said, many launderers could whiten the money of theft and robbery at the rate of 10 percent tax to the government's coffer. This would discourage the honest taxpayers, she added.

MCCI president said, I have been doing business ethically for 30 years with a maximum tax rate of 25/30 percent. But with a 10 per cent tax, many are escaping 25/30 percent tax. 'Look at those who are taking the country's money abroad, she suggested.'

Ms. Kabir also put utmost priority on ensuring qualitative spending of development projects through real-time basis monitoring and evaluation by the IMED, raising the tax-GDP ratio, giving policy support to CMSMEs, and to check the trend of dodging tax.

"We see some changes in the figures in budget. But the destination of the taxpayers' money remain unclear," she added. The SMEs sector needs policy support so that they get access to the stimulus packages, she added. Large industries got benefit of the stimulus package, but the government should tag the condition of employment generation with their package to thwart job cut, she said and added that the economy would rebound if the government prioritizes on cottage and small industries.

Dhaka Chamber of Commerce and Industry (DCCI) president Rizwan Rahman said, the majority portion of the stimulus packages has reached to the medium scale industries, depriving the CMSME. The government should give a target to the NBR for expanding the tax net rather than setting target for revenue collection, he added.

He said, "It is not humane to give the opportunity to whiten the money of theft and robbery to the launderers with 10 percent tax. This deprives honest taxpayers. '

Giving an example of how honest taxpayers can be discouraged by the opportunity to whiten black money, Rizwan Rahman said, "We pay 35 percent tax,". Considering the business attitude, I will not pay tax at the rate of 35% of income next year, he said and added that next year I will whiten that money with 10 percent tax. I have the opportunity not to, 25 percent tax, which will be my profit.

On black money he opined, the illegally earned money should not get the opportunity to be legalised through paying lower rate of taxes. Rather a penal tax at the rate of 10 per cent needs to be added to the normal tax rates for legalising illegally earned money, he suggested.

He demanded reduction of corporate tax at a progressive manner, slashing by 2.5 per cent for three consecutive years to bring it down to 25 per cent.

Similarly, Abul Kashem Khan, former president of the Dhaka Chamber and director of the AK Khan Group, thinks that honest taxpayers are being treated unfairly by giving the opportunity to the money launderers for whitening the

black money at a rate of 10 per cent. He suggested the continuation of the stimulus packages in the next budget as well as rationalizing taxation measures and improving the investment climate to maintain the growth of goods consumption through providing 'consumption incentives'. "The production will fall if consumption declines and it will ultimately affect employment," he said.

He further mentioned that consumers in the UK get up to 50 per cent discount for eating at restaurants. The government gives the discount money. Consumers in Bangladesh will be encouraged to spend if they are given a discount.

Mostafizur Rahman, Special Fellow of Center Policy Dialogue (CPD), agreed with the businessmen. According to him, regular taxpayers are being discouraged from paying taxes with the opportunity given to launderers for whitening the black money. Already 12 thousand crore Taka have been whitened. The CPD Special Fellow also suggested for coming out of the GDP growth illusion. He said, tackling the Corona crisis should be given priority in the next budget.

In the current budget, besides investing in the stock market, cash and black money deposited in banks are also given the opportunity to be whiten with 10 per cent tax. There is also an opportunity to whiten the black money by buying land and flats with a certain amount of tax levied according to the area. If someone launders money, no agency other than the NBR, including the Anti-Corruption Commission (ACC), will be able to question the source of the money, he added.

Rupali Chowdhury, President, FICCI said, there is no guarantee that the first year will be profitable. It takes a few years for a business to reach 'no profit, no loss or break even'. Who will come to do business if you have to pay taxes from the first year, she questioned and also added that the existing corporate tax rate is higher than that of the profit level of the businesses.

She demanded withdrawal of the minimum tax as it is charged on businesses irrespective of their incurring losses or making profits. She said, the effective tax rate becomes 50 per cent in some cases for corporate taxpayers due to different withholding taxes.

At the event, businessmen and economists called for ensuring an investment-friendly environment by reducing corporate taxes. Aftab-ul-Islam, former President of the American Chamber of Commerce in Bangladesh (AmCham), said, it was difficult to do business with so much corporate tax. If the tax rate is so high, foreign investors will not come to this country. Apart from this, there is less difference in tax rate between listed companies and non-listed companies in this country. This is also a big obstacle, he added.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President Faruk Hasan thinks that the same tax rate should be kept for at least five years. He said, if there is one tax rate for five to ten years, there will be confidence among investors. They will be encouraged to invest.

The recovery from the pandemic impact may take longer time, affecting the export of goods, he allured.

He also said, the SMEs are in most vulnerable condition now. "We hope that there would be specific direction and allocation for the sector in the upcoming budget," he added. BGMEA President urged the government to provide policy support to the affected industries until the crisis ends so that those could make a turnaround.

He also demanded to keep the tax rates stable for 10 years, or at least for five years, for turnaround of the industries.

Dr Selim Raihan, executive director of South Asian Network on Economic Modeling (SANEM) expressed that the second wave of corona is worrying. He also emphasized that the working and urban poor should be given incentives in this situation. They are suffering the most. Executive Director of SANEM expressed that erosion of business confidence is an alarming sign as the recovery of SMEs remains slow. He also called for expanding economic operations and growth, not having an obsessed mindset on GDP growth, rolling out social safety net schemes for the urban poor, boosting business confidence through necessary measures, increasing budget implementation, and ensuring some visible reforms. He mentioned that exports in some destinations and remittances are increasing, but the growth of those two sectors has some multiplier effects. The country will not be able to come out of the crisis unless it implements the budget properly, he opined.

Mashrur Riaz, chairman of the Policy Exchange of Bangladesh said, if 50 per cent of the people could not be vaccinated in the next one year, the recovery process would have to start from "zero".

He said, the government should allocate 1.0 per cent of GDP for the low-income group of people to help them survive in this pandemic.

We have to get out of the obsession of growth, as stated by vernacular daily Prothom Alo's special news editor Shawkat Hossain Massum. About the priorities of the next budget he said, "We don't want GDP to be discussed in the next budget". GDP growth may not be the main issue in the next budget. Production, investment, employment and consumer demand must be given the highest priority in the next budget, he suggested.

Ahsan H Mansoor, executive director of the Policy Research Institute (PRI) said, during the Corona crisis, people should be given priority over GDP. The next budget will have to make big allocations for life and livelihood. Executive director of Policy Research Institute (PRI) proposed allocating OF Tk 15,000 crore Taka for vaccination in the next budget.

He also suggested extending support to develop the capacitates of domestic industries on vaccination. Strategic investment is also required to ensure vaccination supply, he added. He proposed allocation of Tk 10 billion for the new poor. The government should focus on reforms rather than imposing huge revenue target which is not achievable he said, adding that spending the allocation is necessary to reap benefit.

He cautioned that, for the new poor, which is being created from the impacts of the pandemic, only cash support is not enough for them, rather some permanent measures should be taken for them.

The renowned economist also suggested to address the livelihood issue caused by the pandemic, prioritize the SMEs in the stimulus packages, focuse more on expenditure, and thus opined that the budget deficit could be stretched from 7% to 8%.

ICAB President Mahmudul Hasan Khusru FCA pointed out that the revenue rate in the country is lower than the GDP and suggested for increasing the tax net. Mentioning the ICAB's cooperation with the NBR and the company's obligation to verify the audited report (Document Verification System or DVS, he said, Bangladesh's economy has been severely damaged. Many indicators of the global economy are still down. There is an uncertainty in the economy of the whole country. To address the losses, the government is planning to increase spending in the financial year 21-22 by increasing the liquidity flow in the economy, he said and added that people's expectations from the budget are much higher. Higher corporate taxes would hinder foreign investment. Hence, the corporate tax needs to be reduced, he suggested.

ICAB Vice President Maria Howlader FCA suggested that the budget should be with specific proposals to increase the number of women entrepreneurs. There should be budget allocation for training to enhance the skills of women entrepreneurs. Last year, 94 percent of the incentive package was for men and the remaining 6 percent was for women. This is obviously discriminatory, she expressed. A cell may be opened in the

Ministry of Finance for women development and empowerment. She called for inter-ministerial functions and transparency as well as special sector-based allocations for women's development.

ICAB Council Member Mohammed Forkan Uddin FCA said, there should be a plan for economic recovery during the ongoing Covid period. There will be many challenges in the economy and policy support will have to be increased to address them. Corporate taxes are much higher than listed companies. If the capital market remains in good condition, the tax from the market investment will increase further, he said. Companies need to be encouraged to invest in the stock market. As a result, balanced distribution of resources will be ensured, he added. We need to increase investment in setting up new industries to increase employment. Transparency, technology and unemployment are the three things we need to look at - to restore the economy, he suggested.

Stressing on the macro-economic management, food & health security, Dr Nazneen Ahmed, senior research fellow at the Bangladesh Institute of Development Studies (BIDS) advocated for reducing the corporate tax rate and exploring the untapped areas for raising the tax collection to meet the additional liquidity pressure on the government. She urged for allocation in budget for ensuring food security and creation of employment for the people in urban area. In this regard she suggested the government to arrange part-time employment opportunities for them. She also demanded allocation for building awareness among the people about health risks specially during this pandemic situation. She put emphasis on preparing crisis management plan to face any health disaster like Covid-19.

Rasheda K Chowdhury, Executive Director, Campaign for Popular Education (CAMPE) said that the upcoming budget should be a pandemic-focused one while the education sector should be brought under the stimulus package as the losses to this sector is huge and it is invisible. She demanded for stimulus package specially for the non-MPO educational institutions those are passing a very critical time during this pandemic. She also said, education sector must not be set aside.

Ms. Chowdhury said, government should give special attention to reduce the rate of early marriage, dropout from school and continuation of mid-day meal at primary school. Citing a research of UNFPA she said, government is giving less attention on the women's reproductive healthcare campaign while giving more focus on the health issue during this pandemic time.

Also spoke in the discussion, ICAB Vice Presidents Sidhartha Barua FCA, Md. Abdul Kader Joaddar FCA. ERF President Shirmeen Rinvy made the opening remarks while its general secretary SM Rashedul Islam offered vote of thanks.

Forensic Accounting Education:
A Brief Discussion on Existing Literature

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Abstract

The main objective of this article is to provide an overview of the current state of forensic accounting education from the global scenario. Forensic accounting, as a new branch of accounting is gaining importance all over the world because of the increased number of fraudulent activities (financial crimes) in both public and private sector. For that reason, now a day, the need for good fraud investigators and forensic accountants has become a burning question. The education and training of forensic accounting can be done in several ways by following several approaches. This article, on the basis of the published literature, highlights the current state of forensic accounting education, the qualities and skills needed for forensic accountants and the different frameworks of forensic accounting education suggested by different authors.

Keywords

Fraud, Forensic Accounting, Financial Crimes, Forensic Accounting Education

Introduction

White collar crimes and public sector corruption have become burning questions among the policy makers, professionals and academicians over the last few decades. On one hand, public sector corruption prevails all over the world. On the other hand, in the last few decades, several notorious fraud cases in the private/corporate sector (such as Enron, WorldCom, Tyco, Satyam etc.) got immense attention from the public. The roles and actions of the top management, accountants and independent auditors came under public scrutiny. Because of this ever-increasing fraudulent activities (mostly financial in nature), stakeholders started emphasizing on the importance of corporate governance, auditing and forensic accounting.

Though both forensic accounting and internal auditing are 'investigative' in nature, these are not the same. Auditors form and express an opinion and provides a reasonable assurance on the fairness of the overall financial statements prepared for a particular period. Whereas, forensic accounting mostly deals with fraud detection and investigation. Over the last few decades, forensic accounting has emerged as a new and important branch in the discipline of accounting. Forensic accountants help in preventing, detecting and examining frauds that are related to any particular occupational/professional issue or the financial statements. Also, the forensic accountants provide litigation-support services in relation to the fraud. For that reason, it is said that forensic accountants need to be experts in multiple disciplines.

These multiple disciplines include economics, accounting and finance, law, statistics, technology and research/investigative methods. Also, in order to present the fraud in paper (i.e., in the written form) and in the court of law (orally), forensic accountants need to have good oral and written communication skills. In order to develop these skills, proper education and training are essential. That is why, there is a call for changes/development in the accounting curriculums in the educational and professional institutions.

According to Rezaee, Lander and Gavin (1992), accounting syllabi should include forensic accounting as the demand for this kind of service is increasing because of the rising fraud cases in different industries. Rezaee and Burton (1997) suggest that society is becoming more alert and conscious with the financial frauds and accounting profession is also focusing on fraud investigation. Therefore, there is a need for 'competently educated and trained forensic accountants' (Rezaee & Burton, 1997, p. 480). Forensic Accounting has been seen, mainly in the USA and European countries, as a separate field of study in both graduate and undergraduate programs (Zeytinoglu & Anadolu, 2020).

The objective of this study is to analyze the current state of forensic accounting education. Drawing from the existing literature, the study focuses on four issues: (1) the relevant skills and qualities required for a forensic accountant/fraud investigator, (2) the perceptions of the professionals and educationists about the importance of forensic accounting courses and trainings (3) the teaching approaches that are followed and (4) the frameworks related to forensic accounting curriculums.

The next section of the article highlights the nature of forensic accounting and fraud investigation. After that, on the basis of several published literatures, the necessary skills and qualities of the forensic accountants are highlighted. Then, the findings of the literature on forensic accounting education is presented. At the end, conclusion is drawn.

Forensic Accounting and Fraud Investigation

Pedneault, Rudewicz and Sheetz (2012, p. 2) has defined forensic accounting as 'the action of identifying, recording, settling, extracting, sorting, reporting and verifying past financial data or other accounting activities for settling current or prospective legal disputes or using past financial data for projecting future financial data to settle legal disputes'. In general, the term forensic accounting is associated with concepts such as 'fraud, fraud prevention, and fraud investigations' (Pedneault et al., 2012, p. 1). As mentioned earlier, the number of financial fraud cases (in both public and private sector) is increasing over the time around the world. Prabowo (2013, p. 353) has

highlighted fraud as a 'major international problem'. For that reason, fraud detection, prevention and investigation has become one of the burning questions in almost every economy. A fraud can have a tremendous negative impact on the investors, owners of businesses, auditors, government and regulators, and general public (Ozili, 2020). That is why, over the past two decades, researchers have published a lot on forensic accounting (Ozili, 2020).

The Association of Chartered Fraud Examiners defined fraud as 'the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the organization's resources or assets' (Pedneault et al., 2012, p. 12). According to Pedneault et al. (2012, p. 12):

"Fraud is an activity that takes place in a social setting and has severe consequences for the economy, corporations and individuals. It is an opportunistic infection that bursts forth when greed meets the possibility of deception. The fraud investigator is like the attending physician looking and listening for the signs and symptoms that reveal an outbreak".

Wells (2005) identified four general elements that are present in the offence of fraud. These include (p. 8):

1. A false statement that is material in nature.
2. The fraudster has the knowledge that his/her statement is false.
3. The victim relied on the false statement.
4. Relying on the false statement caused damage for the victim.

As mentioned earlier, we need forensic accountants for fraud detection, investigation and prevention. As the business organizations, regulators and other stakeholders (specially the investors) are becoming highly concerned about the ever-increasing fraud, corruption, financial crimes and bribery, the demand for forensic accounting is growing (Rezaee & Wang, 2019). Other than just investigating the fraud, forensic accountants can also help in presenting these matters in the courts for dispute resolution (Pedneault et al., 2012). In a fraud investigation case, the forensic accountants are involved in (1) planning, (2) gathering and preserving information, (3) discovering the fraud and (4) reporting (Pedneault et al., 2012). Forensic accountants can also be appointed for various other activities, such as (p. 3-4):

1. Bankruptcy, insolvency, and reorganization,
2. Computer forensic analysis,
3. Economic damage calculation (say in case of an insurance claim),
4. Family law (say claims in case of a divorce),
5. Financial statement misrepresentation,

6. Business valuation,

7. Fraud prevention, detection and response.

Similarly, Rezaee and Wang (2019) has emphasized on the increasing importance of forensic accounting as a separate branch and identified forensic accountants' involvement in following activities:

1. Fraud examination;

2. Anti-corruption and anti-bribery activities;

3. Business valuation;

4. Litigation support and expert witnessing and

5. Cyber security.

Tiwari and Debnath (2017) has categorized forensic accountants' involvement in three service domain. For them, a forensic accountant can perform consultancy (in valuation, arbitration, family disputes, insurance claims, insolvency and others), non-scientific testimony (such as fact finding and collecting evidence in criminal matters) and investigative services (related to manipulation of accounting data, assessing damages and examining corruption and employee negligence). As a result, forensic accountants can be appointed by different clients such as lawyers, insurance companies, banks, investors, business organizations, governmental agencies, police and others (Tiwari & Debnath, 2017).

The Necessary Skills and Qualities of the Forensic Accountants

Considering the multidimensional involvement of forensic accountants, it is obvious that traditional accounting knowledge is not sufficient for a forensic accountant. Rather a forensic accountant needs education and training in different disciplines and possess various skills. According to Ozili (2020, p. 49):

"… the emerging innovations in financial fraud schemes, and frequent changes in accounting methods and policies by firms in the preparation of financial reports has made fraud detection become a complicated process in recent times, and for this reason, a combination of skill, knowledge, experience and "attention-to-details" will be the major attribute of a successful forensic investigator in these times".

Rufus, Miller and Hahn (2015) has recognized that a forensic accountant must have the ability of critical thinking, reasoning and communication. Moreover, he/she should be rational, reasonable, skeptical, open-minded and well-informed (Rufus et al., 2015). Also, a forensic accountant should have problem solving skills and have to be good in inductive and deductive reasoning. Other than these, he/she must have good written and oral communication skills so that the case doesn't remain misrepresented to the stakeholders (especially in the court of law). Tiwari and Debnath (2017) has illustrated forensic accounting as a 'blend of knowledge'. According to them, forensic accountants should possess knowledge related to accounting & auditing, IT, law, communication and human behavior and statistics. These are briefly described here:

a) Accounting and auditing: Forensic accountants should have the skills related to examining accounting records and analyzing the financial statements. These skills are helpful in identifying potential red flags in relation to fraud, corruption, bankruptcy and insolvency. Also, forensic accountants should possess the knowledge and skills of auditing. However, according to Tiwari and Debnath (2017), in most cases, forensic accounting goes beyond the scope and purpose of auditing. The purpose of auditing is to provide an independent opinion on the overall financial statements and report the deviations. It is a regular activity performed on periodic basis. But forensic accounting is not

'regular' in nature. Rather, it is need based. Forensic accountants are appointed in case of suspicion of fraud (Tiwari & Debnath, 2017). Forensic accountants need to go through all the relevant records and conduct enough investigation (through collection, inquiry and scrutiny of sufficient evidence) in order to remove all the doubts and suspicions in relation to the fraud.

b) Statistics: In order to deal with large data set and identifying the abnormalities in data, forensic accountants need to gain knowledge of statistical tools. Also, in many cases, they need to go for prediction and forecasting (in relation to stock prices, loss prediction, sales prediction etc.). For that reason, it is expected that forensic accountants have knowledge of statistical tools, models and tests and data mining techniques (Tiwari & Debnath, 2017).

c) IT Knowledge: Tiwari and Debnath (2017) mentions that because of the increasing number of cyber frauds, the IT knowledge has become important for the forensic accountants. These authors emphasized that the forensic accountants should become experts in software embedded statistical IT tools. Authors such as Rezaee and Wang (2019) and Kilic (2020) have highlighted the importance of big data analysis in forensic accounting. Kilic (2020) has mentioned the importance of knowledge of big data analysis, data analytics and algorithms in fraud control activities as in today's digital business environment, traditional methods cannot be applied to detect fraudulent transactions. In order to detect cybercrimes, forensic accountants need to perform computer examinations (Tiwari & Debnath, 2017).

d) Human Behavior Skills: As forensic accounting is investigative in nature and in most of the cases forensic accountants have to deal with corruption and fraud, they must have the skill to understand human psychology and behavior. The success of a forensic accounting engagement highly depends on interpersonal and communication skills of the forensic accountants. Command over disciplines such as criminology, psychology and communication is important (Tiwari & Debnath, 2017). Moreover, the written and oral communication skills are also important to present the case in the court of law (Rufus et al., 2015).

e) Legal Issues: Court is considered as one of the

'working fields' for a forensic accountant (Tiwari & Debnath, 2017). Many frauds are to be proved and many disputes are to be solved in the court of law. In some cases, forensic accountants can assist the lawyers, as Tiwari and Debnath (2017) has mentioned, in criminal and civil lawsuits as financial experts to provide testimony. Hopwood, Leiner and Young (2012, p. 15) has stated: "… the forensic accountant constantly works in the legal environment and for this reason must have a broad, basic understanding of legal systems … Such an understanding should encompass not only basic business law and civil court systems but also criminal law and criminal court systems". Uyar and Cavusoglu (2020, p. 245) has highlighted that "Forensic accounting acts as a bridge between law and accounting sciences".

Drawing from Turkish accounting academicians, Uyar and Cavusoglu (2020) has identified the skills of forensic accountants in a recent paper. For them, the most important skills for forensic accountants include 'deductive analysis, critical analysis and unstructured problem solving' (p. 245).

A Summary of the Findings of the Literature on Forensic Accounting Education

This section presents a summary of the findings of some existing literature on forensic accounting education. The research on forensic accounting is still at the nascent stage. In recent years, because of the rapidly increasing corporate fraud and corruption cases, the issue of forensic accounting has drawn the attention of the researchers. So, the number of studies on forensic accounting is still very limited. The existing studies on forensic accounting education have mostly focused on the perceptions of the accounting professionals, students and academicians about forensic accounting education. Few studies have also focused on the current accounting curricula and the need for inclusion of forensic accounting issues in the curriculum. Few other studies have illustrated the alternative teaching methods in forensic accounting.

The perceptions of the professionals and educationists regarding forensic accounting education

As mentioned earlier, some studies focused on the perceptions of the professionals and educationists regarding forensic accounting education. Rezaee and Burton (1997) is one of the earlier studies in this regard. Drawing from the perceptions of academicians and Certified Fraud Examiners (CPEs) in the USA, the study has suggested an increasing demand for forensic accounting and therefore proposed the inclusion of forensic accounting in accounting curricula. The respondents also emphasized that the career opportunities

related to forensic accounting should be highlighted to the university and college level students. According to these respondents, forensic accounting education not only meet the society's demand for fraud investigation, but also enhance the credibility of financial reporting and ensure corporate governance. However, as the respondents identified, several obstacles in relation to introducing forensic accounting education. Among them, lack of financial resources, materials and textbooks, lack of interest among the academics and students are prominent.

Hidayat and Al-Sadiq (2014) has conducted a survey on the need for forensic accounting education among the accounting professionals in Bahrain. The authors have found that the respondents are familiar with the benefits of forensic accounting and they emphasize the need for integration of forensic accounting issues in the curriculum.

Kramer et al. (2017) have also conducted a survey on the accounting academicians (randomly selected from the Hasselback Accounting Faculty Directory) and practitioners. The respondents have agreed that the demand for forensic accounting will increase. That is why, separate undergraduate and graduate course/degree is needed to fulfil the demand.

In a recent study, Zeytinoglu and Anadolu (2020) has evaluated the perceptions of Turkish students and certified public accountants regarding forensic accounting education. The respondents have identified that demand for forensic accountants will increase in future. In order to explore the opportunities regarding careers in forensic accounting, support from the educational institutions is needed.

To summarize, it can be seen that most of these studies have shown that the accounting practitioners and educators consider forensic accounting as an emerging discipline and they propose the inclusion of forensic accounting courses in the existing curricula.

The teaching methods applied in forensic accounting education

The issue of the teaching methods applied in forensic accounting education has been explored in some of the studies. In the study of Zeytinoglu and Anadolu (2020), the authors have concluded that the educators should apply innovative methods (rather than classical methods) while teaching forensic accounting. Alshurafat et al. (2020), by interviewing the practitioners and academics in Australia, has suggested that experiential methods should be used while teaching forensic accounting. This method will teach students the technical, theoretical and ethical issues through real forensic accounting problems. Also, in the survey of Kramer et al. (2017, p. 249), the respondents (accounting educators and practitioners) have emphasized on the need for 'experiential learning

component'. The extant evidence has also suggested the use of different and innovative teaching approaches in forensic accounting such as case study, small discussion group, teamwork, mock trials, short stories and problem-based learning cases (DiGabriele, 2012; Lehmann, 2015; Jones & Dosanjh-Zucker, 2018; Marychurch, 2006; Crumbley et al., 2016; Kleinman & Anandarajan, 2011; Alshurafat et al., 2020).

Forensic Accounting Curriculum

Forensic accounting researchers have also recognized the topics necessary to be included in a forensic accounting course. As mentioned earlier, many of the universities in the USA and European countries have already introduced separate undergraduate and graduate level courses on forensic accounting (Zeytinoglu & Anadolu, 2020, p. 29). Zeytinoglu and Anadolu (2020), on their study on Turkey, mentioned that "... in Turkey, forensic accounting education is given in universities under the department of accounting and certification programs of some trade associations or foundations". Several Australian universities are offering undergraduate majors/minors in forensic accounting (Van Akkeren et al., 2013). In Bangladesh, the Department of Accounting & Information Systems of University of Dhaka offers a full separate course on forensic accounting in the Master degree level. The Nigerian study of Kumshe, Umar and Imam (2018) has suggested the forensic accounting education in Nigeria is still growing and emphasized on its integration in accounting curricula either as a part of existing accounting/auditing courses or as an independent/separate course. Similar integration approach has also been proposed in an earlier study by Rezaee and Burton (1997). The authors contend, a forensic accounting course should have four modules: (1) investigation and law, (2) fraud and fraud auditing, (3) financial reporting process and (4) ethics.

Rezaee et al. (1992, p. 27) has emphasized that 'accounting education at every level is in process of change'. The authors have proposed several initiatives to provide a coverage of forensic accounting in the curriculum. According to them, a forensic accounting course should not only train the specialized knowledge and contents of forensic accounting but also teach the students how to prevent and detect fraud in an effective manner. The accounting departments in the university level should offer curriculum based forensic accounting programs. Also, accounting firms and practitioners should support the universities so that forensic accounting courses can be offered in an efficient manner.

According to Ahmad (2003), a forensic accounting course should be divided into three components: (1) financial statement preparation and analysis, (2) accounting standards, companies act and other guidelines and (3) forensic

accounting and financial fraud. However, Matson (2016) contend that a single course is not enough to prepare students for forensic accounting profession. Students need more coursework and practical exposures to forensic accounting. In order to be an efficient forensic accountant, students may pursue professional qualifications such as: (1) Master Analysts in Financial Forensics (MAFF), (2) Certified Financial Forensics (CFF), (3) Certified Forensic Accountant (CrFA), or (4) Certified Fraud Examiner (CFE) (Matson, 2016).

Some studies have advocated the inclusion of information technology in the curriculum (see for example, Rezaee and Wang, 2019; Kilic, 2020). Rezaee and Wang (2019) suggests that forensic accounting and data analytics (big data) need to be integrated in the business curriculum. For them, teaching the big data techniques can improve the quality of forensic accounting education and ultimately have a positive impact on practice. Moreover, the forensic inspections get better when the forensic accountants are well versed with big data, data analytics and algorithms (Kilic, 2020).

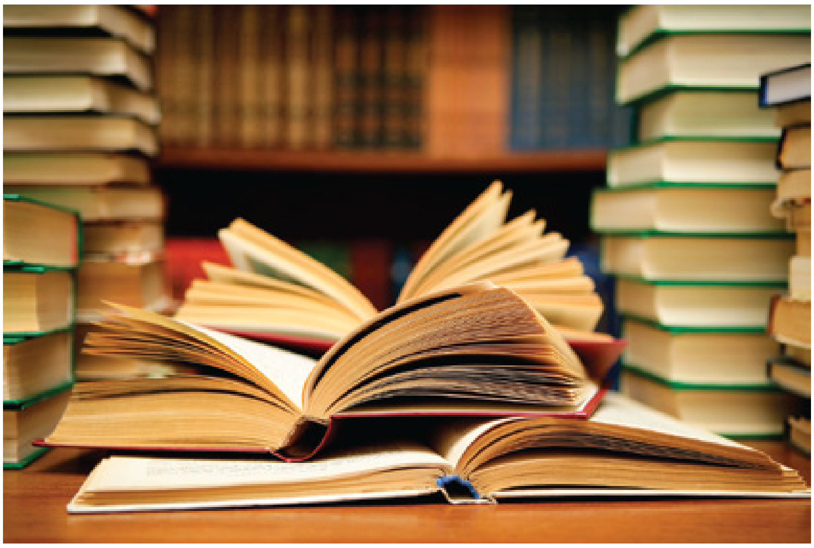
Conclusion

The main objective of this study is to provide an overview of the current state of forensic accounting education from the global perspective. In order to fulfill this objective, a review of some existing literature on forensic accounting education was conducted. The evidence suggests that three issues are highlighted in the literature of forensic accounting education. Firstly, the accounting educators and the professionals agree that the demand for forensic accountants are increasing over time. They also suggest that courses on forensic accounting need to be included in the current curricula. Secondly, the extant studies have emphasized on introducing innovative teaching methods (such as, case study and experiential methods). The traditional accounting teaching methods may not work in teaching forensic accounting. Thirdly, few of these studies propose and illustrate some frameworks for forensic accounting curriculum. It has been observed that universities in different parts of the world are offering forensic accounting courses at both undergraduate and graduate level. Accounting researchers suggest various issues such as relevant laws, financial reporting, information technology, ethics and fraud theories and investigation techniques need to be included in the curriculum.

The study has practical implications for academics, practitioners and policymakers. First, academic researchers get important insights about the alternative areas of forensic accounting education for further study and exploration. Moreover, they can develop a separate module on forensic accounting attributing contents on skills, knowledge, real case stories, scope of the work etc. As mentioned before, one of the prominent steps has been taken

by the Department of Accounting & Information Systems, University of Dhaka in this regard. It has introduced a complete separate course on Forensic Accounting and been taught at the MBA class for few years now. Second, the practitioners who get the most benefit from this new branch of accounting are professional accountants: chartered accountants and cost and management accountants in Bangladesh. Traditionally, independent professional accountants are working as auditors for company and provide audit assurance and other non-assurance consultancy services. Once professional accountants acquire necessary knowledge and skills, they can equally work as forensic accountants and fraud investigators. Apart from regular audit evidence, forensic accountants can produce important legal evidence that can be justified a cause in the court of law. Finally, the study is important for government and regulatory authorities as they need to conceive the significance of forensic accounting education and devise policies to support this education. With the growing cases of financial frauds and accounting scandals, forensic accounting has already established its prominence in the domain of business education. Bangladesh is not an exception here. Bangladesh government and regulatory authorities should come forward with policies that encourage the expansion of this emerging accounting discipline. It will eventually help Bangladesh in producing human resources necessary to minimize the corporate frauds.

The study is not free from limitations though. The main



limitation is that it only considers a limited number of literature on forensic accounting education. Moreover, it does not provide any empirical evidence on forensic accounting education. Therefore, future studies are required in both developed and developing countries' settings to explore empirically the nature, significance and career opportunities of forensic accounting and forensic accountants.

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Audit Reporting Trend in Bangladesh: Opportunities and Challenges

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It is a regulatory requirement that all the listed companies must get their financial statements audited by a Chartered Accountant firm eligible for auditing the listed companies in Bangladesh. This list of audit firms is being approved by the Securities and Exchange Commission (BSEC). The audit firm issue an audit report and they state whether the financial statements are prepared in accordance with the Companies Act, specifically, whether the statements represent a true picture of the business and whether all the relevant accounting standards and other regulatory requirements have been followed. This process actually helps the company to remain viable in a competitive business environment and ensure that its' financial statements remain solid. Despite the importance of auditing, so far, no analysis has yet been done on the types of opinions issued in Bangladesh. Specifically, no research has been published yet in recent times when a number of significant incidents happened that might have an impact on listed companies' reporting practices. Examples include the adoption of the International Financial Reporting Standard (IFRS) in 2013, introducing the new Financial Reporting Act in 2015, an adaptation of a new format of auditor's report effective from the beginning on or after January 2018, affiliation with Big-4 accounting firms for better compliance with disclosure requirements, etc. This article aims to analyse the audit opinions issued by the audit firms for the companies listed on the Dhaka Stock Exchange over the last five-year period, i.e., year 2014–2018.

Although the Companies Act requires the preparation of financial statements according to IFRS and audited according to International Standards of Auditing (ISA), there is significant variation in the quality of audit reports. As part of the corporate governance mechanism, auditors are expected to enhance the quality of reporting following the ISAs.. In the last half-century, demand has risen for greater accountability and closer scrutiny of accounts. This is specially evident in recent years following bank scandals such as Hallmark-Sonali Bank Loan Scam, Basic Bank, Farmers Bank and the 2010 - 2011 Bangladesh stock market crash due to fraud, mismanagement, and lacking many governance issues. It is a general expectation of clients that the auditor will: (i) review and confirm that the financial information is correct (true and fair); (ii) information was checked for, and no fraud exists; and (iii) the business is a sound organisation for investment based on going concern assumption. However, the expectation gap is a reality. Major issues associated with the expectation gap are: firstly, the nature and meaning of audit

report messages; secondly, detection and reporting of fraud; and thirdly, early warning of corporate failures (going concern issue). It is expected that with the new format of the audit report and the introduction of the 'Key Audit Matters' will reduce this apparent gap.

Broad Categories of Audit Opinions

Four broad categories of audit opinions are: Unqualified, Qualified, Disclaimer and Adverse opinion.

Unqualified Opinion

Unqualified Opinion is the best opinion an entity may receive. This type of opinion is expressed when the auditor is satisfied that the financial report in all material respects has been prepared in accordance with the Companies Act 1994 and that the financial data is honest, true and fair. An Unqualified opinion is expressed when the auditor has concluded that he/she has obtained a reasonable assurance that the financial report is free from material misstatement, whether due to fraud or error.

Qualified Opinion

The auditor expresses a Qualified Opinion when: firstly, the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in aggregate, are material but not pervasive to the financial report; or secondly, the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion. However, the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be material but not pervasive. The Qualified opinion is generally issued in the following circumstances:

- where a scope limitation exists;
- where a disagreement is evident between the auditor and those charged with governance;
- where a non-compliance with applicable accounting standards exists, that is material but not extreme in nature.

Disclaimer Opinion

A Disclaimer Opinion is expressed when the possible effect of a limitation on the scope is so material and pervasive that the auditor is unable to express an opinion on the financial report. The opinion paragraph is generally headed 'Disclaimer of Auditor's Opinion' (Gay and Simnett, 2019). The following circumstances give rise to a Disclaimer Opinion:

- when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial report of undetected misstatements, if any, could be both material and pervasive.
- When, in extremely rare circumstances involving multiple uncertainties, the

auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial report. This is due to the potential interaction of the uncertainties and their possible cumulative effect on the financial report.

Adverse Opinion

An Adverse Opinion is generally issued when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in aggregate, are both material and pervasive to the financial report. Subsequently, the auditor concludes that the Qualification of the auditor's report is not adequate enough to disclose the misleading or incomplete nature of the financial report. The opinion paragraph is headed "Adverse Auditor's Opinion". Other than these four, based on the circumstances, the auditor can also extend his/her opinion with 'Emphasis of matter' and 'Other Matter'. These are additional paragraphs which the auditor might add if he/she thinks it is essential to draw the user's attention to them.

Emphasis of Matter (EOM)

In some circumstances, the auditor may issue an Unqualified Opinion with EOM or a Qualified Opinion with EOM. The Emphasis of matter paragraph was introduced to draw attention to certain issues in the financial report. This type of opinion may be issued in circumstances where the auditor wishes to highlight a matter affecting the financial report. This matter is generally included in the notes to the financial statements. It is important to note that the Emphasis of the matter is not a qualification, so steps need to be taken to ensure that this is communicated to the audit report user.

Other Matter

Other matter paragraph included in the auditor's report refers to a matter other than those presented or disclosed in the financial statements that are relevant to users' understanding of the audit. Other matter paragraph is added to the auditor's report after the opinion paragraph.

Analysis of Audit Opinions Issued for the Listed Companies in Bangladesh

Unqualified audit report is the most common type of audit report issued in any countries. Bangladesh is no exception to this. As shown in Table, Unqualified Opinion was the most common type of opinion given by auditors in Bangladesh, ranging from 90.86% (in 2014) to 95.43% (in 2016). Of this number, Unqualified with EOM range from 2.69% (in 2014) to 9.72% (in 2018) and Unqualified with OM range from 0.91% (in 2016) to 4.15% (in 2015). Qualified reports taking 4.57% (in 2017) to 9.14% (in 2014). There is no Qualified with EOM and OM reports issued in 2014 and 2015. Only four (1.83%), five

Table: Types of Audit Opinion Issued in Bangladesh (2014-2018)

	2014	2015	2016	2017	2018
Unqualified	160	159	194	168	199
	86.02%	82.38%	88.58%	85.71%	80.57%
Unqualified with EOM	5	9	13	12	24
	2.69%	4.66%	5.94%	6.12%	9.72%
Unqualified with OM	4	8	2	7	9
	2.15%	4.15%	0.91%	3.57%	3.64%
Total Unqualified	**169**	**176**	**209**	**187**	**232**
	90.86%	**91.19%**	**95.43%**	**95.41%**	**93.93%**
Qualified	17	17	6	4	10
	9.14%	8.81%	2.74%	2.04%	4.05%
Qualified with EOM	0	0	4	5	3
	0	0	1.83%	2.55%	1.21%
Qualified with OM	0	0	0	0	2
	0	0	0	0	0.81%
Total Qualified	**17**	**17**	**10**	**9**	**15**
	9.14%	**8.81%**	**4.57%**	**4.59%**	**6.07%**
Adverse	0	0	0	0	0
	0	0	0	0	0
Disclaimer	0	0	0	0	0
	0	0	0	0	0
Total number of audit reports	**186**	**193**	**219**	**196**	**247**

(2.55%) and three (1.21%) companies received Qualified with EOM in 2016, 2017 and 2018, respectively, and only one (0.81%) company received Qualified with OM in 2018.

These findings conclude that, on average, in 93% of cases, the auditors have been able to secure sufficient and appropriate evidence to support the financial reports being prepared. Those have been done so in accordance with the appropriate accounting framework, relevant corporation legislation and international accounting standards. Surprisingly, there is no Adverse or Disclaimer report issued during this period (2014–2018).

The Table also shows that from 2014 to 2018, Unqualified reports with EOM are gradually increasing. This is the period when some major changes happened: introducing the new Financial Reporting Act in 2015; adaptation of the new format of auditor's report effective from 2018; and probably auditors become more conservative when they issued Unqualified reports. Again, the percentage of Unqualified opinion was between 80.57% (in 2015) to 88.58% (in 2016).

Conclusion

This article provides some insights into the common types of audit opinions issued in Bangladesh. No audit firm issued any disclaimer or adverse audit report in our sample period between 2014–2018. The issue is explored further industry by industry and found some clear cases where the auditor could have issued a Disclaimer or Adverse report, but only one Qualified report emerged. We discussed this with a number of practising auditors and found it is a common practice in Bangladesh not to issue any Adverse or Disclaimer report. Instead, it is left to the company to find a suitable auditor who might be willing to compromise on quality.

If the auditor issues an Adverse or Disclaimer opinion, there is a high chance of losing the clients.

Also, the socio-cultural realities of Bangladesh do not allow them to issue an audit modified opinion in the form of an Adverse or Disclaimer. According to these expert opinions, stakeholder pressure makes even the issuing of a Qualified opinion difficult.

Another reality that affects with regard to issuing an opinion in Bangladesh, is a list of selected auditors by the Bangladesh Securities Exchange Commission (BSEC). When noticed at the BSEC approved lists of audit firms, it is apparent that big audit firms are competing with the new audit firms for clients, which we found as justified because it affects opinions issued to listed companies in Bangladesh. If a big audit firm is unwilling to issue a preferred opinion for clients, then the latter can switch to small audit firms because the BSEC does not have any benchmark guidelines for auditors to adhere to.

It is also noticed that competency of auditors affects the integrity and quality of audit opinion in Bangladesh. Institute of Chartered Accountants of Bangladesh (ICAB) is the authority to regulate the accounting profession and upgrade the quality of chartered accountants through training and continuous professional development seminars. The ICAB needs to address the issues. Educational requirements need to be broadened but also tightened up with contemporary knowledge like block chain, robotic process automation, data analytics, artificial intelligence, etc. This can be done by providing exemptions in education requirements to reputed universities and also attract bright students to the profession. Again, BSEC needs to seriously review its selection criteria for auditors and select a rigorous benchmark. Finally, it needs to encourage auditors to exercise their independence if they are to perform their jobs honestly and produce high-quality audit reports.

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In the Digitalized Business World the Implication of using Automation Spectrum in the Internal Audit Practices

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Introduction

According to IIA," Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations". For senior management including Board of Directors, there is no alternative other than internal audit department viz-a-viz risk management department to see the value of it by aligning organization's strategy directly with audit report findings. It works as third line of defense of the organization irrespective of the size -- large or small following the traditional method that mandated detective and compliance control since its inception.

Understanding the Automation Spectrum and its Magnitude in the Modern Business World

The world is changing faster than anyone could have visualized at the beginning of the 21st century because of Internet. It has become a collective parent to a new form of decision-making entity co-opting with the changed scenario of global business pattern.

Wise words: "Brains are the only things worth having in this world, no matter whether one is a crow or a man." --- Baum, L. F.; The Wonderful Wizard of Oz, George M. Hill Company, USA, 1900.

Thus microscope, telescope and brain imaging equipment are few examples that provide new digital tools and software such as machine learning model architecture to inspect complex system for the purpose of accelerating discovery.

Now I believe you got the point. Yes, we are talking about the Automation Spectrum. Now it is time for internal auditor to understand and prioritize opportunities for automation spectrum (Figure-1), and take important steps to prepare for thoughtful and progressive deployment of it to help drive efficiency and effectiveness, expand capacity, boost quality and enable greater audit coverage.

It is worth mentioning here that AI and machine learning (ML) algorithms are used in cyber security to measure heuristics and report possible breaches and incidents. The scientific community is using AI for data analysis in the case of COVID-19. This would lead to quality enhancements, risk reductions and time savings--- thereby increasing risk intelligence.

Figure-1

Automation Spectrum			
Foundation	**Analytics**	**Robotic**	**Cognitive intelligence**
Data integration Integrated data to provide a consistent information foundation	Predictive analytics Software solutions using predictive models (e.g., compliance risk models) Data visualization Software placing data in a visual context (e.g., GRC dashboards)	Robotic process automation Rules-based systems that mimic human behavior to automate parts of repeatable processes	Natural language generation Applications that accept structured data inputs to generate seemingly unstructured narratives Natural language processing Applications that process unstructured data (e.g., text) and allow querying and generation of structured data Machine learning Applications that are able to improve predictability and operation based on data they receive over time Artificial intelligence Applications that are able to mimic human behavior, such as visual perception, speech recognition, decision-making, and translation between languages

Source: Deloitte

Benefits of Embedding Automation

Here are a few examples of how investments in automation technologies can yield positive returns by improving the effectiveness and efficiency of audit processes and providing greater insight to the business:

- Automation can ensure better use of scarce resources by replacing manual activities, and thereby allowing the team members to focus on higher-value activities, such as quality assurance reviews, exception management, process improvement, and interpersonal interactions.
- It can help to increase efficiency and reduce costs by executing audit tasks around the clock at an accelerated pace
- It enables performance of the tasks in more uniform and efficient manner which are traceable and auditable subsequently and thereby ensuring higher quality output due to the systematic nature of the process.
- It enables continuous auditing model for providing business insights and analysis and hence add more business value.

There are many ways in which IA can leverage automation capabilities throughout the audit life cycle, including risk assessments, audit planning, fieldwork, and reporting (Figure-2).

Figure 2. Leveraging Advanced Analytics and Automation acrossInternal Audit

Analytic Techniques & Dashboards	Robotic Process Automation	Natural Language Processing	Natural Language Generation

Key Activities

Risk Assessment	Audit Planning	Design Effectiveness Assessment	Fieldwork	Reporting / Closing	Issue Tracking / Risk Assessment Ongoing Monitoring
Establish the audit entity universe Assess completeness of audit universe Analyze risk profile of the audit entity Identify audit needs and develop audit plan Conduct business monitoring	Communicate intention to audit Conduct introduction/scoping meeting Complete audit planning memorandum (APM) Develop process understanding Identify inherent risks and key controls Complete risk control	Perform detailed audit planning Develop testing strategy Review and approve design effectiveness assessment (DEA)	Hold opening meeting Create operational effectiveness testing (OET) work papers and execute testing in accordance with the OET strategy Evaluate operating effectiveness of key controls Draft issues	Produce audit report overview Review issues in the report Conduct overall assessment Draft audit report Issue final audit report Perform audit folder closure Analyze audit budget vs actual Conduct audit team debrief Update risk Assessment	Utilize history of issues tracking to develop insights through trends analysis and KPIs Establish continuous Auditing

Representative Tasks

Risk Assessment	Audit Planning	Design Effectiveness Assessment	Fieldwork	Reporting / Closing	Issue Tracking / Risk Assessment Ongoing Monitoring
IA compliance risk assessment Location risk assessment visualization Cross business unit/region comparative and flux analysis Continuous business operations monitoring Risk assessment dashboard	Automation of text-heavy documents Profile business operations Exploratory analytics and "what-if" analysis	Automation of IA tasks Data modeling and batched reporting	Population testing Data aggregation and integration Intelligent detection of suspicious logs associated with IT systems	Automated generation of text-based audit reports Data visualization / audit story board Impact quantification	Real-time reporting of frauds arising in financial systems Enhanced dashboarding and reporting Thematic risk identification CAE dashboard Issue tracking visualization Analytic Techniques & Dashboards Robotic Process Automation Natural L

Source: Deloitte

However, automation does not come without issues or fallbacks. Among the myriad of ethical and social dilemmas we face with the creation and implementation of automation, one of the most prevalent issues is undesirable results. For example: Google recently apologized for its AI image labeling algorithm having produced racist results by labeling a dark-skinned hand holding an infrared thermometer as a gun while a version of the same picture with the hand painted a lighter color was labeled as a monocular.1

Therefore, if we are unaware of these behaviors and biases, and they can be difficult to acknowledge. Thus, we cannot simply hand the keys over to automation and let it take us wherever we need to go yet. To handle the grumble of automation, we need to understand the substance of audit readiness initiatives-- the goal of which is to make things work better. Audit readiness means that controls— including IT-related controls—become more effective, and financial reports are more reliable and accurate. To achieve such goal it is inevitable to link the testing of data response to underlying risks and controls which are designed to address risks at many levels and they can become increasingly detailed (micro) to reflect specific possibilities and vulnerabilities.

Under such circumstances we need to emphasize another critical component as a part of better optimization strategies that is leadership support from the top of the organization since IT connects and interacts with so many different areas of the organization with representation from functional areas including financial controls, operations, internal audit, and roles within IT itself (e.g., security and data specialists) etc.

To address the said gray area, automation spectrum offers many opportunities for enterprises to get ahead and stay competitive, but they also expose enterprises to new sets of risk factors. Managers must do their homework, be diligent, and clearly understand the benefits and added value before considering the automation --- say RPA and AI put into operation. Implementing robots

to perform mundane and time-consuming tasks provides employees with opportunities to focus their time, energy and effort on more strategic, high-value activities consistent with the enterprise's mission, goals and objectives.

On the other hand, challenges, risk factors and obstacles must also be studied in detail and tackled in an effective and efficient manner. Procedures must be established to ensure that the automation is aligned with the enterprise's goals and objectives, management is on board from day one, and relevant personnel possess the necessary technical knowledge. The establishment of well-defined governance procedures is of utmost importance to oversee the implementation and operation of automation, provide assurance of the quality of the automation and minimize the chance of an unfavorable impact on the enterprise. Only by understanding, preparing for and addressing these factors can enterprises capitalize on automation and expand its usage.

Conclusion

As organizations adopt new technologies and embrace new business models, they also need to evolve their culture, working practices and organizational structures. Transforming the organization, and the risk/control management functions, in a way that is deliberate and controlled is critical to achieving strategic objectives. Automation can assist IA to generate and standardize data to run custom analytics, automate the initial data gathering and classification for the annual risk assessment process, test of details that consist of data fields matching from one source to the other, and automate controls testing thorough bots. In addition, automation can assist in tracking outstanding evidence, follow-up requests and management responses.

The IA department can save important man hours by employing automation to perform a number of repetitive tasks discussed here. This can help IA to focus on unique, important tasks to achieve a deeper, more sophisticated analysis of risk as part of the audit process.

1 Kayser-Bril, N.; "Google Apologizes After Its Vision AI Produced Racist Results," Algorithm Watch, 7 April 2020, https://algorithmwatch.org/en/story/google-vision-racism/

A Snapshot of some Trends in Corporate Governance in South Asia in Reference with Bangladesh

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Executive Summary

In South Asia, important steps have been taken during the last 15 years toward the improvement of national regulatory frameworks and the development of effective corporate governance structures. They were driven by:

(i) International initiatives such as the Organization for Economic Co-operation and Development (OECD)–Asian Roundtable on Corporate Governance, which set out an ambitious reform program in its 2003 white paper on corporate governance in Asia;

(ii) World Bank, which monitors the implementation of international standards on corporate governance;

(iii) International financial institutions that have devised, under the auspices of the International Finance Corporation (IFC), a common methodology for assessing corporate governance in investee companies; and

(iv) National governmental bodies and private sector associations.

Corporate Governance Frameworks

Introduction

Corporate governance is typically regulated by a combination of hard law, such as:

(i) binding provision in company legislation regulating the basic governance architecture of companies, directors' duties, shareholder rights and minority shareholder protection mechanisms; and soft law as-

(ii) best practice standards set out in corporate governance codes.

This pattern of flexible regulation of the conflicts of interest was prevalent in corporations began in the United States in the early 1970s which were backed up by statements regarding the role and responsibilities of directors issued by the Business Roundtable, the National Association of Corporate Directors, and the Council of Institutional Investors.

Since then, private organizations, stock exchanges, and some large institutional investors or associations of investors in most developed and developing economies have produced increasingly detailed sets of best practice standards containing provisions on board composition, independence requirements for outside directors, committees of the board, and the role of shareholders. In some countries, these standards have been incorporated into the listing rules of stock exchanges and are, accordingly, binding on companies listed in prime market segment. in others they operate on a comply-or-explain basis.

Corporate governance codes exist in most, but not all, member countries of the South Asian Association for Regional Cooperation (SAARC). Table 1 gives an overview of the most recent initiatives.

Measures of good governance in the protection of minority interest

The goal of corporate governance, according to the World Bank and most national policy makers is "the protection of minority investors". The World Bank in its Doing Business reports measure good governance as an aggregate of six elements:

Table 1: Corporate Governance Codes in SAARC Member Countries

Country	Code	Issuer	Latest Edition
Afghanistan	None		
Bangladesh	Corporate Governance Code[a] Code of Corporate Governance for Bangladesh[b]	Bangladesh Securities and Exchange Commission Bangladesh Enterprise Institute	2018 2004
Bhutan	None		
India	Corporate Governance Voluntary Guidelines[c] Corporate Governance Recommendations	Ministry of Corporate Affairs Confederation of Indian Industry	2009 2009
Maldives	Corporate Governance Code[d]	Capital Market Development Authority	2014
Nepal	None		
Pakistan	Code of Corporate Governance[e]	Securities and Exchange Commission of Pakistan	2019
Sri Lanka	Code of Best Practice on Corporate Governance[f]	Institute of Chartered Accountants /Securities and Exchange Commission of Sri Lanka	2017

(i) review, approval, and disclosure of requirements of related party transactions;

(ii) ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions;

(iii) ease of filing a minority shareholder lawsuit (derivative action),

(iv) shareholder rights in major corporate transactions,

(v) governance of safeguards protecting shareholders from undue board control and entrenchment, and

(vi) extent of corporate transparency.

The World Bank carried out an assessment of four SAARC economies with their findings being summarized in Table 2. As far as best practice standards are concerned following issues were considered:

(i) the proportion of nonexecutive to executive directors on the board;

(ii) the number of independent directors;

(iii) the definition of independence;

(iv) the separation of the two central roles on the board, that of chair and chief executive officer (CEO);

(v) the delegation of sensitive issues involving particularly pronounced conflicts of interest to independent committees, including succession planning, responsibility for the review of internal control procedures and the appointment of the external auditor, and remuneration decisions; and

(vi) the mechanisms facilitating the enforcement of best practice standards.

These best practice standards have to be assessed against the backdrop of the binding legal and general institutional system. Hence, the country reports also evaluate

(i) the legal rights of shareholders to appoint and remove directors,

(ii) the structure of directors' duties,

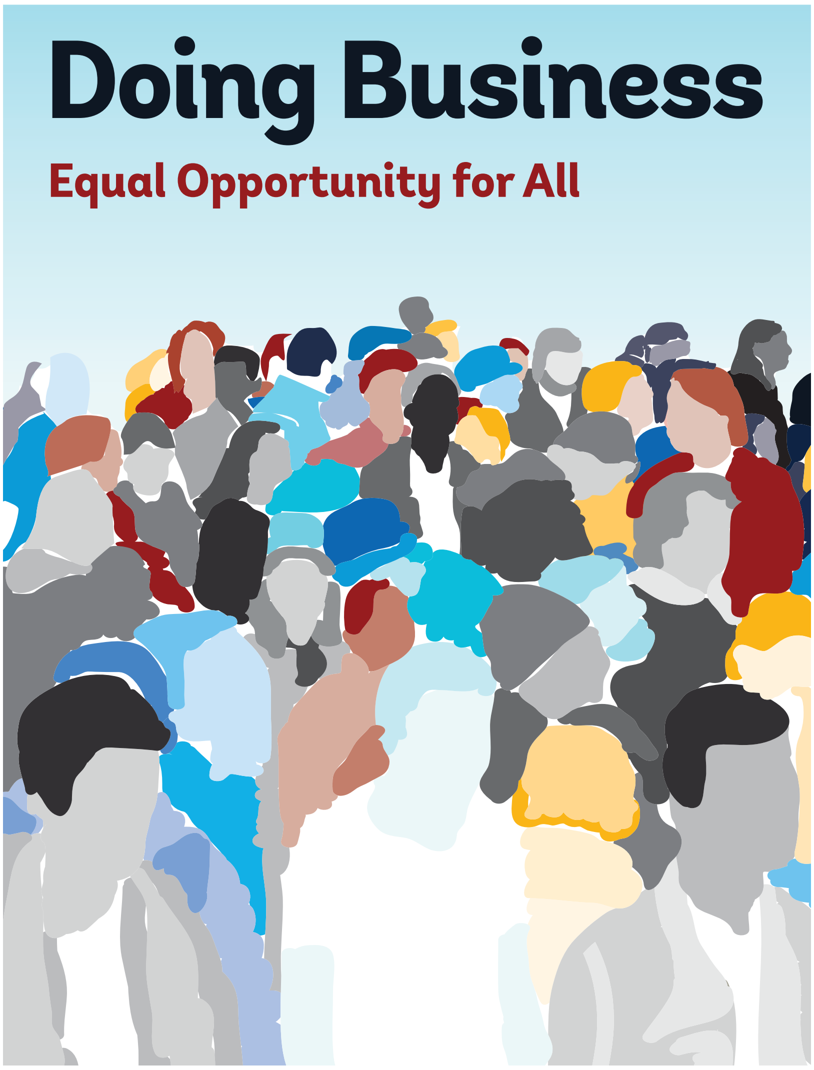
(iii) the enforcement of these duties by minority shareholders on behalf of the company, and

(iv) the nonlegal institutional determinants of the effectiveness of the above. Other complementary or functionally equivalent regulatory institutions, for example, disclosure regulation and the activities

Table 2: Minority Investor Protection Index (0-10)

Dimension	Bangladesh	Nepal	Pakistan	Sri Lanka
Related-party transactions	6	6	6	8
Liability of directors	7	1	7	5
Ease of filing a shareholder lawsuit	7	9	6	7
Shareholder rights	5	7	8	7
Governance safeguards	3	6	9	6
Corporate transparency	5	6	7	7
Country rank (out of 190)	89	72	26	38

Source: World Bank Doing Business 2019.



and powers of public regulatory bodies, are outside the scope of this articles.

Bangladesh

Overview of the Regulatory Framework

Companies are incorporated and regulated by the Companies Act, 1994. The act is supplemented by a Corporate Governance Code, the most recent edition issued in 2018 by the Bangladesh Securities and Exchange Commission (BSEC). The code does not operate on a "comply-or-explain" basis, but is binding on all companies falling within its remit. It was published by the BSEC by virtue of its authority to "impose conditions" under Section 2CC of the Securities and Exchange Ordinance, 1969. Although the code itself does not mention penalties for noncompliance, the Securities and Exchange Ordinance, 1969, Section 22(b) contains penalties for noncompliance with an order or direction of the BSEC. No "explain" provision is found in the code. Government regulators for corporate governance in Bangladesh are the Registrar of Joint Stock Companies and Firms, the BSEC, and Bangladesh Bank, the central bank of Bangladesh. Nongovernment regulators are the Institute of Chartered Accountants of Bangladesh, Chittagong Stock Exchange, and Dhaka Stock Exchange.

Board Structure

Table 3 gives an overview of the regulation of corporate boards in Bangladesh along the five dimensions that section identified as critical in ensuring that boards operate as an effective, independent control mechanism. The table also gives information on the manner in which the regulatory requirements are enforced, in particular whether companies can deviate from them, provided they give an explanation of their noncompliance; or the board structure framework is laid down in binding regulations. The provisions are contained in the Corporate Governance Code, 2018.

Table 3: Board Structure Regulation in Bangladesh

Dimension	Regulatory Requirements Applicable to Listed Companies	Summary
Proportion of nonexecutive directors	No distinction between executive and nonexecutive directors (but see the requirements on independence, which implicitly establish a minimum percentage of nonexecutive directors)	No minimum proportion
Number of independent directors	Condition no. 1(2)(a) of the Corporate Governance Code, 2018: At least one-fifth of the total number of directors on the company's board shall be independent directors.	One-fifth
Definition of independence	Condition no. 1(2) of the Corporate Governance Code, 2018: "independent director" means a director: • who either does not hold any share in the company or holds **less than 1% share** of the total paid-up shares of the company; • who is not a **sponsor** of the company or is not connected with any sponsor of the company or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries, and parents or holding entities on the basis of **family relationships**, and his or her family members also shall not hold abovementioned shares in the company; • who has not been an **executive** of the company in immediately preceding 2 financial years; • who does not have **any other relationship**, whether pecuniary or otherwise, with the company or its subsidiary or associated companies; • who is not a member or a Trading Right Entitlement Certificate (TREC) holder, director, or officer **of any stock exchange**; • who is not a shareholder, director (excepting independent director), or officer of any member or TREC holder of any stock exchange or an **intermediary of the capital market**; • who is not a partner or an executive or was not a partner or an executive during the preceding 3 years of the concerned company's **statutory audit firm**; • who is not an independent director in **more than five listed companies**; • who has not been convicted by a court of competent jurisdiction as a **defaulter** in payment of any loan or any advance to a bank or a nonbank financial institution; and • who has not been convicted for a **criminal offense** involving moral turpitude.	Detailed and demanding definition
Separation of chair and CEO	Condition no. 1(4)(a) of the Corporate Governance Code, 2018: The roles of the chair of the board and CEO have to be separated and held by different individuals.	Required
Committee structure	**Succession planning:** The board must set up a Nomination and Remuneration Committee (NRC) to assist the board in the formulation of nomination criteria or the policy for determining qualifications, positive attributes, experiences and independence of directors and top-level executive, as well as a policy for considering the remuneration of directors and top-level executives (condition no. 6 of the Corporate Governance Code). The NRC must comprise of at least three members who must all be nonexecutive directors, including at least one independent director. **Audit:** The board must establish an audit committee that shall monitor the internal audit and compliance process, review the internal audit and compliance report, and oversee the hiring and performance of the external auditors (condition no. 5 of the Corporate Governance Code). The audit committee must be composed of at least three members who must be nonexecutive directors (excepting the chair of the board) and include at least one independent director. In addition, all members must be financially literate and at least one member must have accounting or related financial management background and 10 years of such experience. **Remuneration:** See above, succession planning	Nomination: yes Audit: yes Remuneration: yes
Enforcement	Binding on listed companies	Compliance mandatory

Some Corporate Governance Features in Existence in Various Rules and Legislation

Governance of Board of Directors of Subsidiary Company-

(a) Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;

(b) At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;

(c) The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company;

(d) The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;

(e) The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.

Board of Directors' Committee-

For ensuring good governance in the company, the Board shall have at least following sub-committees:

(i) Audit Committee; and

(ii) Nomination and Remuneration Committee.

Audit Committee-

(1) Responsibility to the Board of Directors.

(2) Constitution of the Audit Committee

(3) Chairperson of the Audit Committee

(4) Meeting of the Audit Committee

(5) Role of Audit Committee

Reporting of the Audit Committee

(a) Reporting to the Board of Directors

(b) Reporting to the Authorities

(c) Reporting to the Authorities

Nomination and Remuneration Committee (NRC).

(1) Responsibility to the Board of Directors

(2) Constitution of the NRC

(3) Chairperson of the NRC

(4) Meeting of the NRC

(5) Role of the NRC

Reporting and Compliance of Corporate Governance.

(1) The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report.

(2) The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.

(3) The directors of the company shall state whether the company has complied with these conditions or not.

Some Corporate Governance Features in the Legislation

Appointment and Removal of Directors

According to Section 91 of the Companies Act, 1994, the directors of a company are elected by the shareholders from among them in general meeting. Section 106 of the Companies Act, 1994 provides that a company may, by extraordinary resolution, remove any shareholder-director before the expiration of his or her period of office with or without cause, and may, by ordinary resolution, appoint another person in the same position.

Directors' Duties

The Companies Act, 1994 does not lay down the duties of a director. However, the act contains a number of provisions aimed at checking the neglect of duties by a director, and a breach of these provisions will entail liability. In particular:

- Section 104 prohibits a director from holding any office of profit under the company except that of a managing director, manager, or a legal or technical adviser or banker.
- Section 105 provides that except with the consent of the directors, a director of a company, or the firm of which he is a partner, or any partner of such firm or the private company of which he is a director or member, shall not enter into any contract for the sale, purchase, or supply of goods and materials of the company.

Related-Party Transactions

The Companies Act, 1994 requires related-party transactions to be disclosed and interested directors to abstain from voting on such transactions. More specifically, Section 130 provides that a director, who is directly or indirectly concerned or interested in a contract or arrangement entered into by or on behalf of the company, must disclose the nature of his or her interest at the meeting of the directors dealing with the contract or arrangement (a general notice that a director is a director or a member of any specified company or of a specified firm, and is to be regarded as interested in any subsequent transaction with that firm or company, is sufficient). The company must keep a register of all transactions with a director, which must be open to inspection by any member of the company.

Further, pursuant to Section 131, directors must abstain from voting on any contract or arrangement in which they are directly or indirectly interested, and their presence does not count for the purpose of forming a quorum.

Minority Shareholders' protection

The Companies Act, 1994 provides for certain functions to be undertaken by the shareholders, such as attending meetings, appointing and removing directors, and exercising their right to obtain financial information, as well as approving annually the balance sheet. The law also provides for certain mechanisms for shareholders to enforce these rights, the principal among them being a suit for minority protection under Section 233 of the act. According to Section 233, members or debenture holders of a company may lodge an application with the High Court claiming that:

a. the affairs of the company are being conducted or the powers of the directors are being exercised in a manner prejudicial to one or more of its members or debenture holders, or in disregard of his or her, or their interest;

b. the company is acting or is likely to act in a manner which discriminated or is likely to discriminate against the interest of any member or debenture holder; or

c. a resolution of the members, debenture holders, or any class of them has been passed or is likely to be passed, which discriminates or is likely to discriminate against the interest of one or more of the members or debenture holders.

The minority suit can be brought by shareholders holding at least 10% of the shares issued. Upon application by the minority shareholders, if the High Court is of the view that the interest of the minority shareholders is being prejudicially affected, it has the power to make the following orders:

(i) cancel or modify any resolution or transaction,

(ii) regulate the affairs of the company to ensure that the order of the court is being enforced, or

(iii) amend any provision of the memorandum or articles of the company.

Although minority shareholders are given protection under Section 233, the provision has remained of limited relevance. Shareholders are often not aware of Section 233 and the minority protection regime. In addition, the holding of a minimum 10% of the issued shares to file an application constitutes a significant barrier to minority protection. Further, the application under Section 233 can only be moved in the Company Bench of the High Court, where legal costs are generally high. The effectiveness of the minority protection regime is further called into question by the fact that the judiciary suffers from considerable backlogs and cases are often pending for several months before a hearing.

Conclusion

Corporate governance frameworks in South Asia have undergone a process of comprehensive modernization over recent years. In all member countries of the South Asian Association for Regional Cooperation (SAARC), except Afghanistan, Bhutan, and Nepal, corporate governance codes have been adopted. The codes surveyed for this study are generally comparable to internationally accepted standards of best practice in corporate governance (although they do, in certain aspects, fall short of these benchmarks). In order to illustrate where the codes in force in South Asia (and Nepal's Companies Act) conform to, or diverge from, international best practice standards, we use the most recent United Kingdom (UK) Corporate Governance Code (adopted in 2018) as a benchmark. The UK is generally regarded as being at the forefront of developments in corporate governance since it promulgated the world's first corporate governance code in 1992. The UK Corporate Governance Code is updated regularly, usually every 2 years, and its best practice standards have influenced standard setters worldwide. Indeed, in the South Asian countries' analysis here, concepts pioneered by UK codes, for example, the independent director and the definition of independence, have, by and large, been adopted faithfully.

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Recognition of ICAB membership by ICAEW

Membership Scheme of The Institute of Chartered Accountants of England and Wales (ICAEW) allows the members of ICAB to apply for ICAEW membership based on their experiences.

Eligibility criteria of this membership scheme are a series of questions which assess ICAB Member's experience, achievements, skills and expertise. Each application must be supported by an eligible sponsor. Applicants need to complete an Examination of Experience.

Details of ICAEW Membership Scheme is available at http://www.icaew.com/membership/becoming-a-member/members-of-other-bodies/ campaigns/pathways-to-membership.

ICAB signed it's first Memorandum of Understanding (MoU) with the Institute of Chartered Accountants in England and Wales (ICAEW) in 2009. Since them, ICAB has been working with ICAEW as the learning and professional development partner, and also recognized as an approved tuition provider of ICAEW.

As per MoU, ICAB Members can be the members of ICAEW after successful completion of 04 papers out of 15. These members have the opportunity to apply for UK Practicing Certificate (PC) subject to meeting the standard ICAEW PC requirement.

Recognition of ICAB Membership by CIPFA, UK

Members of the Institute of Chartered Accountants of Bangladesh (ICAB) are eligible to apply for membership of the Chartered Institute of Public Finance and Accountancy (CIPFA), a globally recognised membership body for the public sector.

An MoU between ICAB and CIPFA, UK was signed on 28 January 2017. Under this MoU, an ICAB member can also become a members of CIPFA subject to fulfillment of certain criteria.

An ICAB Member with good standing having five or more years post-qualification public sector experience are eligible for Full Membership of CIPFA as Chartered Public Finance Accountant (CIPFA) and the members having fewer than five years post-qualification public sector experience are eligible as Affiliate member of CIPFA (CIPFA Affiliat).

ICAB members having CIPFA Affiliate membership, or having no working experience in public sector can gain CIPFA status with the successful completion of exams of only two papers i.e. Public Sector Financial Reporting and Strategic Public Finance.

Membership Pathways Agreement (MPA) with CPA Australia

The Institute of Chartered Accountants of Bangladesh (ICAB) has recently signed a Membership Pathways Agreement (MPA) with CPA Australia, one of the largest accounting bodies around the world. Through this agreement, ICAB members can be the members of CPA Australia just after passing 04 papers (i.e. 1. Ethics and Governance, 2. Financial Reporting, 3. Global Strategy & Leadership and 4. Strategic Management Accounting) out of their 12 papers. This MPA has been in effect since 20 July 2018.

Membership through Chartered Accountants Australia & New Zealand (CA ANZ) International Pathway Program (IPP)

The Institute of Chartered Accountants of Bangladesh (ICAB) signed an MoU with the Chartered Accountants Australia & New Zealand (CA ANZ). Under this, ICAB members living in Australia or New Zealand having five years post qualification experience at anywhere will be eligible to be member of CA ANZ after successful completion of CA ANZ International Pathway Program (IPP).

There will be no requirement of passing CA ANZ general route examinations by eligible ICAB members as their International Pathway Program (IPP) workshop through case studies would examine the contemporary Australasian business, accounting and finance environment relevant for members of ICAB. On the other hand, CA ANZ members can also be members of ICAB subject to having Bangladeshi citizenship and other requirements as prescribed by ICAB Bye-laws.

Membership of the International Valuation Standards Council (IVSC)

Efforts are underway for ICAB to Become a member of the International Valuation Standards Council (IVSC). This would create an opportunity for the members of ICAB to involve in the valuation process of local and foreign investment in Bangladesh.

This would allow Chartered Accountants to put up their highly essential services and play positive roles in attracting foreign investment. With regard to this, ICAB has already conducted a Members Conference. More so, a virtual meeting with the CEO of IVSC was held on 8 June 2021 where the IVSC proposed ICAB to become member of IVSC on pro-rata basis.

Other Memberships

ICAB is an active member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants(CAPA) and South Asian Federation of Accountants (SAFA). ICAB is also an associate member of Chartered Accountants Worldwide (CAW).