THE BANGLADESH ACCOUNTANT

October - December 2022

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

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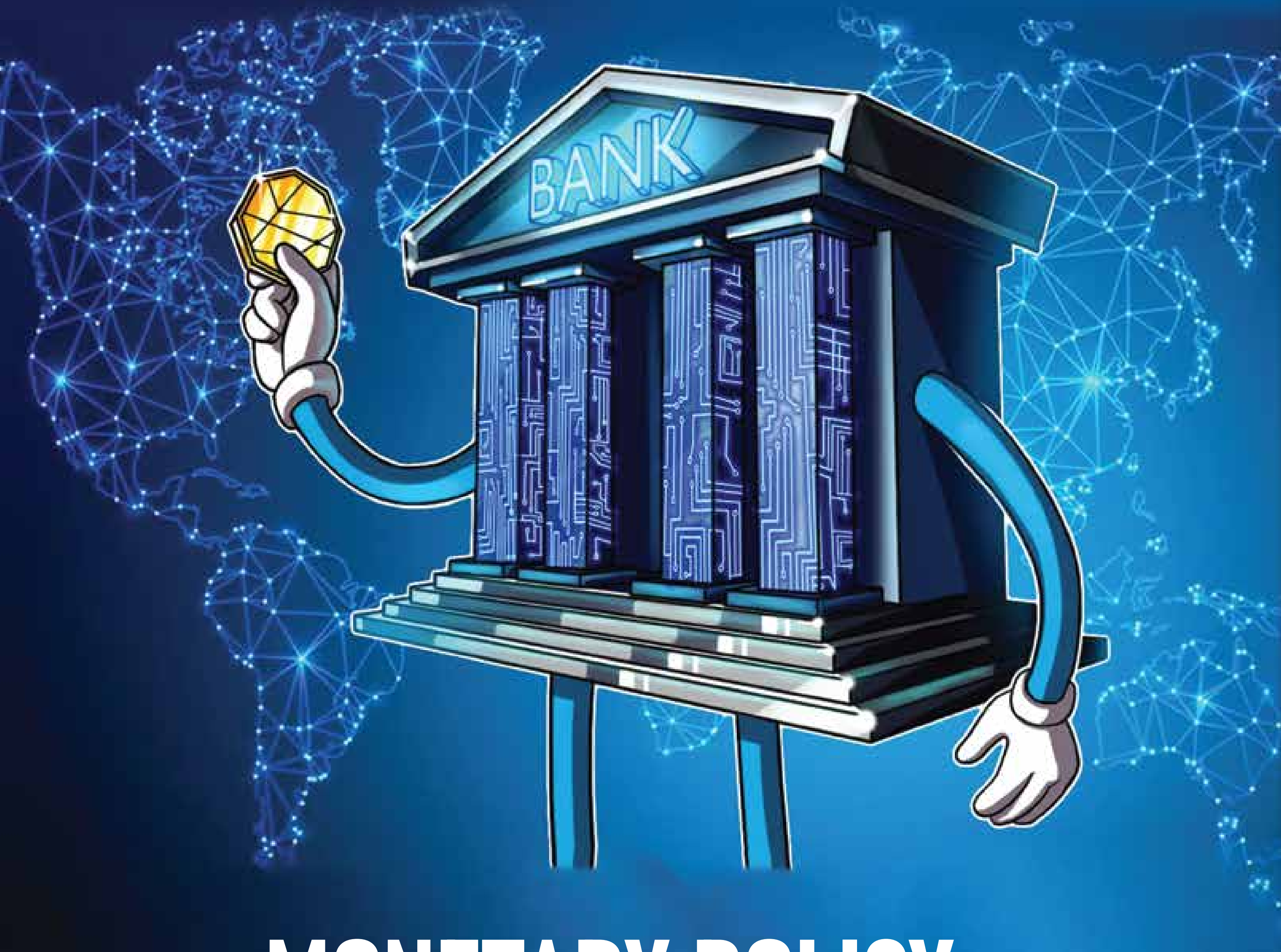

MONETARY POLICY :
ONE ARROW TO HIT TWO TARGETS
INFLATION AND TAKA STABILITY FOR GROWTH

The Bangladesh Accountant

Monetary Policy : One Arrow to Hit Two Targets - Inflation and Taka Stability for Growth

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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 about ICAB and its activities in addition to these publications, ICAB also publishes books, monographs, booklets and Students' Study Manuals regularly.

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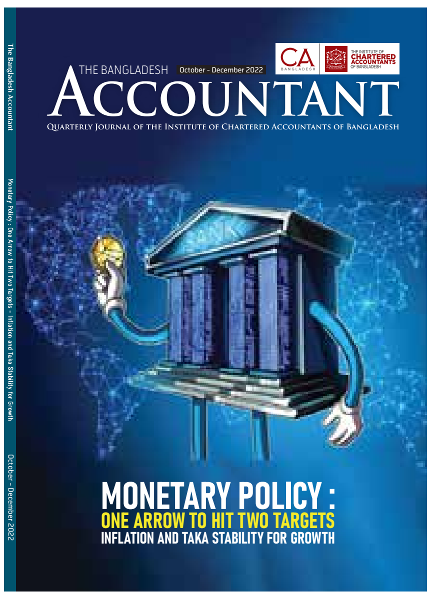
P7

Contents
October - December 2022



Digital Highlights

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News & Events

Circular & Notice

News Bulletin

Journal

Editorial

> **"There may be worse situations to come in the future. The point is that unemployment may increase due to the increase in policy interest rates. Countries may fall into a difficult situation of dealing with unemployment due to economic contraction or growth of interest rates."**

The global economy is still in the difficult path. However, the rate of inflation around the world has started to decline. Because of this, there has been cautious optimism among economists and analysts. The World Economic Forum or WEF's Annual Davos Conference delineated that the situation of the global economy was not 'so bad', as much as was feared a few months ago. However, there is nothing to be ecstatic about.

There may be worse situations to come in the future. The point is that unemployment may increase due to the increase in policy interest rates. Countries may fall into a difficult situation of dealing with unemployment due to economic contraction or growth of interest rates.

In order to extinguish the challenges caused by Russian invasion into Ukraine, Bangladesh will have to continue concentrating on structural reforms, VAT systems and income tax system reform, promoting export earnings, and monetary management.

Bangladesh is set to graduate from its status as a Least Developed Country (LDC) in November 2026. All steps have to be taken to get permanent status of being a developing nation. Being a developing nation, Bangladesh will have to face some challenges as it

will lose some exemptions. More serious considerations needed for ensuring sustainable growth.

Environment matters is one of the biggest challenges to address as this issue will be continuously challenging along with the growth of economic activities. Climate changes will have potential to Haor and coastal areas. We need to develop a more concrete masterplan.

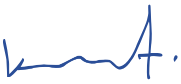
Dear readers, this issue has dealt with some crucial matters that Bangladesh is facing currently. Our writers are devotedly engaged in the thoughtful process of bringing out the journal. Your contribution to the journal is enormous.

Stay safe and blessed.

Gopal Chandra Ghosh FCA
Chairman - Editorial Board and Council Member - ICAB

President's Desk

"Although there is no particular theme of this issue, the articles published in the journal mostly deal with business, trade, commerce and economy of the country. This journal gives us an invaluable insight of the economy that provokes ideas to the policy makers."



Md. Shahadat Hossain FCA
President-ICAB

The quarterly journal of ICAB depicts the concurrent economic and professional issues with in-depth information. The articles published in the journal add value to the development of professional skills as well as help the government and the other external agencies to formulate policies for a thriving economy of the country.

Although there is no particular theme of this issue, the articles published in the journal mostly deal with business, trade, commerce and economy of the country. This journal gives us an invaluable insight of the economy that provokes ideas to the policy makers.

The Covid-19 pandemic sharply affected the economy of Bangladesh, like other nations. While the country was on the way to recovery, the Ukraine-Russia war has turned into another challenge for the economy. The inflation is on the rise, which in turn, is escalating the suffering of the people. The macro-economic performance of the country is getting another blow as the rate of US Dollar against Taka is increasing and eventually affecting our exports and imports. To keep the commodity prices low is one of the major challenges ahead. Therein, ICAB is helping the business by ensuring accountability and transparency in every sector of the economy.

As industries around the world are moving to adapt to the best practices, and the day-to-day functions of markets are changing, the role of accountants has also been diversified. Gone are the days when accountants worked a normal 9 to 5 a day, sitting in an office adding up the finances of their clients. Now,

because of greater demand on the role, chartered accountants are expected to do much more.

The role of chartered accountants has not only changed in terms of helping clients to meet their objectives and remain up to date with their accounts & business but also drastically changed how they do their jobs, and how services are delivered. Also the factors like the impact of Covid-19 pandemic, the cost-of-living crisis, and increased hybrid working have also contributed to the change in how chartered accountants work.

While technology has been a major contributing factor of regulatory changes, client expectations and a cultural shift from a non-digital environment, we need to embrace technology in delivering our services.

In fine, I extend my heartfelt thanks to the Chairman, the Co-chairman, Editorial Board and everyone associated with this publication for bringing out this issue successfully.

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ARTICLES

The Bangladesh Accountant | October - December 2022

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

MPS of Jan-June 2023 and its Impact on Bangladesh Economy

Mohammad Zahid Hossain FCA

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and
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In the backdrop of unprecedented economic turmoil, Bangladesh Bank has unveiled the Monetary Policy for the period Jan-June 2023 (H2 of FY 2023). The objective of the monetary policy is to contain inflation and stabilizing the value of local currency which will ultimately result desired economic growth, necessary flow of funds to the economic productivity and generation of employment. Considering the potential hurdles in FY 23, Government has re-fixed the GDP growth target at 6.5 percent and 7.5 percent headline inflation ceiling. However, in national budget document for FY 23, these rates were estimated at 7.5 percent and 5.6 percent respectively.

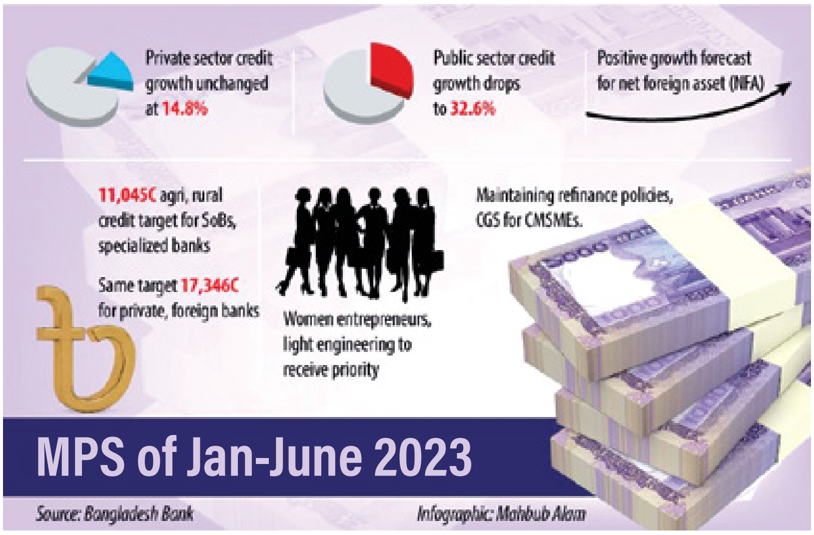
Salient features of the Monetary Policy Statement (MPS) for H2 of FY 23 and their impact are stated below:

Shortage of FOREX and Instability in Import

As an outcome of resilient policies of Bangladesh, the momentum of economic activities rebounded after Covid. In 2020-21, GDP growth rate was highly impressive (6.94 percent) compared to the peer countries and inflation rate (5.6 percent) was within the manageable limit. But sudden invasion of Russia in Ukraine stimulated the price of industrial raw materials, commodities and other goods. Since Bangladesh is an import dependent country and price of imported goods increased after Russia-Ukraine war, Balance of Trade is experiencing significant deficit. To deal with the negative trade balance, the amount of foreign currency reserve has been depleting in last one year. With an objective to keep the FOREX in safe zone, Bangladesh Government took some immediate measures which includes net sales of USD 7.8 Billion during July-Dec 22 for the greenback, increasing the LC margin size to discourage importing of luxury goods etc.

Impact

Many commercial ventures (example: vehicle importers, imported cosmetic traders) are operating their business based on imported goods has slimmed business size as a result of inadequate supply of goods. Companies which are dependent on imported raw materials are also struggling to make adequate raw materials available to run their factory at full capacity. Commercial banks are rationing the requirement of FOREX and allowing importers to open LC for partial amount. As a consequence, price of finished goods is increasing which is fueling cost push inflation. For example: an increase in rod-making scrap prices on the international market, dollar crisis and energy price hikes made Rod prices hit all-time high in 3rd week of January 23. As a result of



FOREX instability, companies are compelled to terminate many employees which is pushing unemployment, rising non-performing loans, sliding payment of revenue to Government coffer.

Inflation

Rise in commodity and energy price in international market, unavailability of transportation facilities in international routes and supply disruption are main causes for CPI-based inflation in Bangladesh. Both food and non-food inflation started pushing up from July-Dec 21 and reached at 7.70% in Dec 22 (5.54% in Dec 21 and 7.48% in Nov 22). Government has adopted tightening policy measures and strengthening supply-side interventions with the hope to contain inflationary pressure.

Impact

Recent wave of Corona in China and ongoing war between Russia and Ukraine is not giving any indication to stabilize the price in world commodity market. So, the inflation rate in FY 23 will not be eased up. Moreover, the recent declaration of price-hike of electricity and gas at significant rate in Bangladesh will motivate the inflation rate to go up. Real income of a large number of people will be squeezed and they will go below the poverty level.

Liquidity and Interest Rate

Central Bank is extending policy support as well as liquidity support to commercial banks to ensure that adequate money supply is in the market and inflation rate is not abnormal as well. 5 shariah based banks has taken BDT 147.9 Billion as emergency loan from Bangladesh Bank. Central Bank being the "last resort for scheduled banks" has taken appropriate action by extending loan to these Banks. Yet the underlying reason of such cash crunch situation must be investigated for the greater interest of the economy and deter the repetition thereof. However, with an objective to control the money supply and inflation, Bangladesh Bank has increased REPO by 25-point basis. Yield on both short and long-term Government securities increased to motivate investors to invest therein. Both the weighted average lending and deposit rate has increased. However, the real deposit return rate is slimming the wallet of depositors due to the higher inflation rate. The lower deposit growth rate is signifying adverse mindset of savers to accumulate idle fund in banking system.

Impact

Lower growth rate in deposit will hinder capital formation in Bangladesh. Moreover, this may provoke investors to siphon off fund outside the country to get better yield. Though Bangladesh Bank has a plan to remove lending cap (9%) in near future, the existing reduction in interest rate spread (the gap between deposit and lending rate for Banks) will jeopardize banking sector's income and sustainability.

Trend of Export and Import

EU countries are the top export destinations for Bangladesh while the economies of these countries are currently going through a critical economic slowdown state resulted from Russia-Ukraine war. Hence, overall export registered a growth of 10.58% in H1 of FY 23 while it was 28.41% in corresponding period of previous FY. Import growth in H1 was negative by 2.20% compared to the same period of previous FY. Despite taking all actions to reduce gap between export and import, total import was higher by 51% (Export USD 27.3 Billion, import USD 41.2 Billion) than export in H1 of FY 23. Skyrocketing price trend of energy, edible oil, raw materials, fertilizer and capital machineries are mainly responsible for this significant gap. Another lifeline of Bangladesh economy is its foreign remittance which increased by 2.48% during H1 of FY 23. The active role of Bangladesh Government motivated the remitters to use formal channel instead of informal channels. Moreover, a record number of workforce (1.1 Million) from Bangladesh went outside during CY 2022. They will start remitting their income soon after they reach their workplace and it will be reflected in the financials of FY 23.

Impact

There is no signal of price reduction of the importable goods in international market during H2 of FY 23. Moreover, in order to meet the increased demand of commodities in Ramadan (Mar-Apr 23) days of Bangladesh, significant number of LCs opened in Jan 23. This also gives clear warning that the gap between export and import in H2 will be larger. However, the export to US in upcoming days will be increased because US is planning to shift orders from China to Bangladesh on geopolitical grounds. Bangladesh needs to grab this opportunity keeping all issues aside. If the export is increased, the ongoing heat in Current Account (deficit USD 5.7 Billion during July-Nov 22) will be cooled off.

FOREX Reserve and Exchange Rate

BDT has been depreciated by 11.3% during H1 of FY 23 due to the upsurge demand of USD. Many proven weapons were applied by BB (Bangladesh Bank) to stabilize the exchange rate. The FOREX reserve stood at USD 33.8 Billion (including USD 66M which was robbed in 2016) in Dec 22 while this was USD 41.8 Billion in June 22. Bangladesh Bank is expecting to introduce unified rate (within a 2% variation) within FY 23 which will ultimately bring a flexible exchange rate system for all international transactions.

Impact

The volatile exchange rate in FY 22 & 23 affected many enterprises and they had to account for significant amount of exchange loss. It is apprehended that enterprises may experience another shock after the introduction of so-called "unified rate".

Capital Market

All the indicators of Bangladesh capital market were nose diving in H1 of FY23. Due to the ongoing liquidity crisis, local investors are pulling out funds from the stock market. Due to the significant deprecation of BDT against USD, foreign investors are also extracting their funds from Bangladesh market. The increasing deposit rate in Banks are also stimulating the local investors to invest money in fixed income bearing instruments.

Impact

Serious lack of investors' confidence, inadequacy of dependable scrips, deficiency of accountability of Board Members, lack of good governance are chronic problems of Bangladesh stock market. No effective, sustainable and proven strategy has been initiated by Government to address these problems. Hence, the same crisis will prevail in capital market in H2 which will affect capital formation.

NPL and BB's Proactiveness

NPL has been rising despite extending many supports by Central bank particularly after Covid. Serious violation of rules in approving credit disclosed by media during H1 of FY23. Several banks (Sariah and conventional) are struggling to pay back to their depositors. Their NPL (non-performing loans) rate is also abnormal. Experts expressed their concern and remarked that the real NPL rate of these banks will be much higher if a proper investigation takes place. BB has signed MOU with 12 "unhealthy" banks to improve NPL rates. BB has decided to monitor the activities of the lenders as well as the borrowers. That is expected to ensure good result in brining discipline in financial sector.

Impact

Adequate number of laws are in force in Bangladesh to ensure safety of depositors' money while the "pick and choose" approach in enforcing those laws are identified as the main reason for the vulnerability of banking sector. If BB cannot introduce transparency and accountability for every organization dealing with public money irrespective of their races and faces, reduction of NPL will remain far-fetched. Amid ongoing cash crunch situation, BB should not leave any stone unturned to bring good governance in Banking sector. Otherwise, ongoing crisis will be more acute in H2.

Credit Growth

The higher credit growth rate in public sector (37.7%) has been estimated than that of private sector (14.1%) in H2. However, Government's budgetary revised target of borrowing of BDT 1.11 trillion has been included in the said growth rate. The credit growth of private sector will be mostly utilized in meeting the increased price of imported goods. So, in real terms, no new investment and employment is contemplated in H2.

Impact

A large chunk of money will be spent to continue the mega projects of the Government. The growth in private credit won't be able to generate new employment which will eventually create disparity among have and have-nots.

Conclusion

The much-talked-about IMF's loan of USD 4.7 Billion has been approved by the global Lender subject to the compliance with several reform conditions including withdrawal of subsidies mainly in fuel, fertilizer. To follow the prescription of IMF, Government has already hiked the price of electricity and gas. This will again create inflationary pressure and adverse impact on economy. Though IMF's "magic wand" won't change the current FOREX crisis overnight, this support will facilitate to improve this situation in the long run. Its presumable that the economy of Bangladesh in FY 23 will pass through a turbulent phase. Hence, both public and private sector should keep risk mitigation plan ready to confront any untoward situation.

The Financial Statements of Life Insurance Companies in Bangladesh – Regulations vs IFRS

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Abstract

There are a number of life insurance companies in Bangladesh (35 as of June 2022). These companies are required to prepare full-scale financial statements at least on an annual basis. While preparing financial statements, the life insurance companies mainly follow the respective schedules of the Insurance Act 1938. Although the recent most insurance regulation (the Insurance Act 2010) has replaced the Insurance Act 1938, in absence of prescribed formats under the Insurance Act 2010, Life Insurance Companies are allowed to follow the schedules as stated in the Insurance Act 1938. For the Insurance sector, there is a specific IFRS (IFRS 4, Insurance Contracts) and Bangladesh is an IFRS compliant country for quite a long period of time but IFRS 4 was not reflected much in the financial statements of Life Insurance Companies in Bangladesh. Besides, a new IFRS related to the insurance industry (IFRS 17, Insurance Contracts) is to be applicable with effect from January 1, 2023. In this context, all the stakeholders related to the financial statements of life insurance companies need to have a look at how to minimize the gap between the local regulations and IFRS. This paper will show the current basis of preparation for the financial statements of life insurance companies in Bangladesh, and will also show the requirements of IFRS – there will be an effort also to suggest how the gap between local regulations and IFRS can be mitigated.

Key Words

Life Insurance Companies, Financial Statements, Insurance Act 1938, Insurance Act 2020, IFRS 4, IFRS 17.

Introduction

Currently, in Bangladesh, a life insurance company in its annual financial statements present the below sections:

Requirement of Insurance Act 1938	i) Balance Sheet – First Schedule (Form A) ii) Life Revenue Account – Third Schedule (Form D) iii) Classified summary of assets in Bangladesh – First Schedule (Form AA)
Instructed by IDRA	iv) Statement of Life Insurance Fund
Requirement of IFRS/IAS	v) Statement of Cash Flows vi) Statement of Changes in Equity vii) Notes to the Financial Statements

In preparation of above financial statements, Life Insurance Companies in Bangladesh mainly go by the prescribed schedules of the Insurance Act 1938. The prevailing insurance regulation (the Insurance Act 2010) has directed to follow those schedules under the Insurance Act 1938 until similar formats are provided under the Insurance Act 2010 (extract of the related IDRA circular has been presented in the Annexure I). This has been a decades-long practice for the life insurance companies in Bangladesh and this is also one big reason why IFRS 4 was not implemented in Bangladesh as local regulations should prevail over the IFRS. In recent time, the Financial Reporting Council (FRC) has strongly mandated that IFRS has to be implemented also for insurance companies, but because of earlier practice and also having confusion over the presentation for financial statements under IFRS, life insurance companies in Bangladesh are mainly following the schedules under the Insurance Act 1938. The upcoming requirement to implement IFRS 17 with effect from January 1, 2023 can only make this situation more complicated.

The Current Presentation of Financial Statements by Life Insurance Companies and the Basis of Preparation

Currently, financial statements of life insurance companies are presented as per the first and third schedules of the Insurance Act 1938. In the life revenue account all the incomes (e.g. premium income, investment income) are summed up and from that, all the expenditures (e.g. claims, surrender, commission, salaries, tax) other than changes in insurance reserve get deducted. Total income in excess of total expenditure is termed as Life Insurance Fund which is presented in the Liabilities section of the Balance Sheet. Life Insurance related reserve liabilities and corresponding expenses for changes in reserve are not reflected in the financial statements rather shown in the annual valuation of insurance liabilities that has to be certified by a competent Actuary. The excess of 'Life Insurance Fund as stated above' over the 'Life Insurance Liabilities as calculated and certified by the Actuary' is termed as Surplus of the Life Insurance Company.

Form A (Balance Sheet) are prepared in the format prescribed by the Insurance Act 1938. The format has to some extent covered the requirements of IFRS/IAS, however, the presentation is not sufficient to give a better understanding to the user of financial statements.

Form AA (Classified summary of assets in Bangladesh) and the Statement of Life Insurance Fund are prepared basically to show the assets of the organization and the calculation of the Life Insurance Fund.

Schedules under the Insurance Act 1938 don't have any direction for Cash flow statement, Statement of Changes in Equity and notes to

the financial statements. For these purposes, life insurance companies mainly follow the IFRS presentation directives.

IFRS Requirements Specially for Insurance Companies

IFRS 4, Insurance Contracts was applicable for annual periods beginning on or after January 1, 2005. The core objective of this IFRS was to do limited improvement to the financial statements of Insurance Companies till a comprehensive guidance comes (it later came in the form of IFRS 17). IFRS 4 mandated unbundling of insurance component and deposit component, thus classifying insurance contracts as either insurance contracts or investment contracts. Financial Statements following IFRS 4 reflect the Insurance Contract Liabilities as well as changes in insurance contract liabilities for the current period. It also reflects the Deferred Acquisition Costs (DAC) for insurance contracts.

Life Insurance Companies didn't reflect IFRS 4 as the prevailing regulation at that time (the Insurance Act 1938) didn't have any format for presenting insurance liabilities, DAC etc. in the financial statements. Even after the promulgation of the Insurance Act 2010, there was no big change to the situation as this Act also referred to the earlier Act for the purpose of preparation of financial statements.

IFRS 17 was issued by the International Accounting Standard Board (IASB) in May 2017 to replace IFRS 4. Initially, the implementation date was for annual periods beginning on or after January 1, 2021 which has been deferred to January 1, 2023 as per the latest decision. IFRS 17 focuses a lot on distinction of non-insurance component (e.g. investment component) in an Insurance Contract from the insurance component. IFRS 17 requires 'updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts' to be used in measurement of insurance contracts. This IFRS requires a company to recognize profits as it delivers insurance services (rather than when it receives premiums) and to provide information about insurance contract profits the company expects to recognize in the future.

IFRS 17 is considered as a big improvement in comparison to IFRS 4 in terms of comparability (among companies across the globe, among insurance contracts and among industries), information on the insurance obligation and information about profitability. IFRS 17 is expected to keep the profitability same for the full tenure of an insurance contract but may have shift in the trajectory of these profits.

We are about six months away from the implementation date of IFRS 17. Life Insurance Companies of IFRS compliant countries are working on the implementation of IFRS 17 for last 4 to 5 years. The journey of implementation is a bit hectic as this requires involvement of both the Accountants and Actuaries. A lot of time is taken to analyze the insurance contracts to identify its components. This implementation can have

significant impact on the IT Systems and the way Finance Function works. IFRS 17 requires additional information and disclosures that requires additional effort at the time of implementation.

IFRS-17 Requirements (highlights)

The basic focus of IFRS 17 are on below matters –

1. IFRS 17 is expected to better harmonize the approaches on deriving profit and losses based on insurance contracts – accordingly financial statements from different industries and global locations should be much more comparable.

2. There has been a fresh basis to the reporting of earning – now this should be earned basis rather focusing on receipts and earning. Also the revenue and expenses would be required to be tag to the year of related contracts.

3. Insurance finance expense and measurement of insurance liability will have new basis – Finance expense is to be separated from service outcomes and for the measurement of insurance liability, a probability weightage has to be applied in conjunction with risk allowance.

4. Three core approaches are specified for measuring policyholders' liabilities – the general measurement model, the premium allocation approach and the variable fee approach.

How to Bridge the Gap between Regulations and IFRS

Financial Reporting Council (FRC) Act 2015 through its section 44 has made mandatory that all Public Interest Entity (PIE) has to prepare financial statements following the International Financial Reporting Standards (IFRS).

For this purpose, FRC through the section 63 of the FRC Act 2015, has modified the section 32 of the Insurance Act 2010 to ensure that IFRS are followed while preparing the financial statements of insurance companies.

Here, we see two major challenges. The first one is the absence of a format of financial statements in the Insurance Act 2010 - this act in its section 27 has mentioned that balance sheet and profit and loss account should be prepared following the format provided by the rules under this law that is yet to be finalized. And the second challenge, whether next six months of time would be sufficient for regulators to provide a format for financial statements in alignment with IFRS and for companies to implement that keeping in the mind the data requirements, actuarial complexities and system changes.

In this context, surely all the regulatory bodies, e.g the Insurance Development and

Regulatory Authority (IDRA), FRC and Bangladesh CA Institute will work together to create a road map how to implement IFRS 17 in the financial statements of Insurance Companies for period on or after January 1, 2023. Few things would be critical here –

i. To suggest a format for financial statements in alignment with IFRS under the Insurance Act 2010 – an alternative to this can be a modification to the Section 27 of the Insurance Act 2010 instructing to follow the standard format for preparation of financial statements in alignment with IAS 1, IFRS 1 and IFRS 4/17;

ii. Insurance Companies making a realistic assessment to see what amount of time they would need to implement IFRS 17 – discussing about related preparation and also the need to consider a delay in implementation, if any;

iii. To amend the Insurance Act 2010 to make sure that valuation of policyholders' insurance liability and preparation of financial statements go simultaneously – as reflection of the policyholders' liability in the financial statements of insurance companies is one big change IFRS 17 is going to bring.

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Annexure I: Extract from the IDRA Circular on preparation of Financial Statements for Life Insurance Companies.

Breaking the Barriers of Workplace
Isms and Schisms

M Aminul Islam

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Abstract

Humans have a strong penchant for talking in supercharged words and phraseologies, for example sexism, ageism, racism, cronyism, favouritism, nepotism, regionalism, religionism, sectarianism, terrorism or fascism to name but a few. These 'ism' suffix-added coinages are heavy in weight and dangerous in meaning. However, there are good isms, too, like humanism, pacifism, journalism, unionism, tourism, optimism or euphemism, which are too good for progress and excellence everywhere. But all the problems lie with negative isms that retard normal productivity and growth in the workplace, career and life. People are more prone to use the isms that are too vicious and that destroy a sustainable working environment. Scholarly write-ups on this specific area of isms in the workplace, workplace toxicity and sexism are scanty and inadequate. Much more careful study and research works are highly solicited to cover a wide range of isms, prejudice, discrimination, bias or partiality in the workplace. This article makes an endeavour to dive into the innards of isms, their widespread use everywhere in the professional spheres and the possible way-out.

Keywords

workplace, good isms, bad isms, growth barrier, suggestion

Introduction

The 'isms' of sexism and racism are like air. They are everywhere. Isms are so common that the question "Did you ever experience racism or sexism?" is hackneyed and staid today. It should be a more realistic question to ask, "When have you not experienced it?" It is so conspicuous that people tend to talk and behave in isms—ageism, racism, sexism, nepotism, favouritism, regionalism, cronyism, conservatism, liberalism or protectionism. It is sickening to see the psychosis of isms in the workplace. "Great vision without great people is irrelevant." "In determining the right people, good companies place greater weight on character attributes than on educational background, practical skills, specialised knowledge or work experience." Leaders often repeat these quotes and insights from Jim Collins, author of bestseller Good to Great: Why Some Companies Make the Leap... and Others Don't, in their speeches and team-building meetings to attract and hire great people. It paraphrases that work only thrives under great minds and isms take flight from the workplace.

Ism and Discrimination Bedfellows?

The lexical meaning of ism is a distinctive practice, system or philosophy, typically a person's ideology. Ism and discrimination

are inseparable bedfellows. Some companies struggle to attract and retain great people and fail to sustain a great company culture. Again, some organisations signally fail to attract and retain great people and sustain great cultures as isms still permeate workplaces. But many people refuse to accept the existence of isms, resulting in our individual and collective psychosis. Gender discrimination in the workplace creates a lifetime wage gap between men and women in the same role. On average, according to US census data, women earn roughly $.86 for every dollar a man earns. Sexism or unfair treatment of women for their sex is deeply entrenched in the workplace, meaning no or less hiring of women, denial of promotion, sexual harassment or joblessness for pregnancy for their sex or gender identity. A 2017 survey found 42% of US women faced some form of gender discrimination versus 22% of men.

Good Use of Isms

There are instances of good isms in stock like altruism, colloquialism, criticism, euphemism, humanism, internationalism, journalism, liberalism, multilateralism, onanism, optimism, pacifism, pluralism, protectionism, solecism, theism, tourism, unilateralism or unionism. Altruism is disinterested and selfless concern for the well-being of others. Colloquialism is a word or phrase that is used in conversation but not in formal speech or writing. Criticism is the act of expressing disapproval of somebody/something and opinions about their faults or bad qualities. Euphemism is a mild or indirect word or expression substituted for too harsh, unpleasant or embarrassing, for example we say 'user fee' in lieu of tax as a euphemism. Humanism is a rationalist outlook or system of thought attaching prime importance to human rather than divine or supernatural matters. Internationalism is a principle that advocates greater political or economic cooperation among states and nations.

Again, journalism is the activity or profession of writing for newspapers, magazines, news portals or electronic media. Liberalism is the willingness to respect or accept behaviour or opinions different from one's own or the openness to new ideas. Multilateralism is the policy of making multilateral agreements to achieve nuclear disarmament. Onanism is coitus interruptus or the act of removing the reproductive organ before ejaculation to avoid pregnancy. Optimism is a philosophical doctrine, as set forth by Leibniz, that this world is the best of all possible worlds. Pacifism is the belief that war and violence are unjustifiable and that all disputes should be settled by peaceful means. Pluralism is a condition or system in which two or more states, groups, principles, sources of authority coexist. Protectionism is the theory or practice of shielding a country's domestic industries from

foreign competition by taxing imports. Solecism is used to express a mistake in the use of language in speech or writing. Theism is a belief in the existence of a god or gods, especially a creator who intervenes in the universe. Tourism is the commercial organisation and operation of holidays and visits to places of interest. Unilateralism is the policy of getting rid of nuclear weapons without waiting for other countries to do the same. Unionism is the policy and practice of protecting and furthering the rights of workers.

Positive Discrimination

Now is the time to pore over positive discrimination. How can discrimination be positive? That is sometimes true in some cases. Positive discrimination is a form of discrimination that favours someone by treating them differently in a positive way. An example might be an organisation appointing someone from an underrepresented group into a role without considering whether they have the right skills for the post. Other candidates who are better qualified are passed over. Positive discrimination could include setting quotas or benchmarks in the recruitment process to take on a proportion of people from a protected characteristic group, or promoting a specific number of people within a minority group. This is a widely practised formula in Bangladesh and beyond its territory. However, it is a debatable issue as to whether positive discrimination is a lawful or an unlawful action.

Bad Use of Isms

People use more negative isms than positive ones in real situations. Bad isms are vice and notorious words like ableism, ageism, classism, colonialism, conservatism, cronyism, cynicism, favouritism, imperialism, negativism, pessimism, racism, regionalism, sadomasochism, scepticism, sectarianism, sexism, terrorism and whatnots! Bad isms are all-pervasive and deep-rooted in all strata of society, and they are growth barriers and headwinds that almost every employee faces on the job at some stage in their career because of their gender. Ableism is the unfair treatment of disabled people by giving jobs or other advantages to able-bodied people. Ageism is the most striking of the isms and it has a pernicious impact on the workplace. With the current job situation, age discrimination against older workers in employment is rampant for giving no value to their experience. Many companies cut the deadwood from their staff on the subterfuge that they are useless or burdensome. Ageism in recruitment is an increasing problem.

More About Bad Isms

Classism is prejudice against people belonging to a particular social class. Conservatism is the commitment to traditional values and ideas with opposition to change or innovation. Cronyism and rent-seeking have become an integral part of big firms. Favouritism is the practice of giving unfair preferential treatment to one person or group at the expense of another.

Negativism is a tendency to consider only the bad side of something or somebody. Pessimism is a philosophical belief that this world is as bad as it could be or that evil will ultimately prevail over good. Racism is prejudice, discrimination or antagonism by an individual, community or institution against a person or people on the basis of their membership of a particular racial or ethnic group, typically one that is a minority or marginalised. Regionalism is deeply intrinsic as a person or people are favoured unduly in the workplace. Sectarianism is excessive attachment to a particular sect or party, especially in religion. Sexism is the stereotyping of women on the basis of sex. Sexism in language is an offensive reminder of the way the culture sees women.

Effects of 'Isms' on Mental Health

Discrimination and mental health concerns go hand in hand. Discrimination based on factors like race, sexual orientation and age is measurably harmful to mental health. When people are treated unjustly, their self-esteem takes a hit and they are at a higher risk of developing stress-related disorders. In order for things to change, employers must take action to address discrimination in the workplace. Racial trauma in the workplace is only one of several types of discrimination that can affect a person's mental health. A 2019 study by University College London found that women who experienced sexism were three times more likely to suffer from depression. It is thus imperative to create awareness of the bad effects of isms and schisms on mental health and provide support.

Overcoming Isms in Your Workplace

Becoming a male gives him an unearned privilege and advantage over his female counterpart or one major religion reigns over minor religions, white skins maintain supremacy over black and other non-white colleagues in the so-called civilised workplace. Corporates must be on watch against the evils of classism. Isms and schisms need a meta-analysis of the prejudice-discrimination relationship across racism, sexism and ageism that still persist in modern-day organisations and may translate into workplace discrimination, which can undermine organisational effectiveness. There are three types of prejudice (racism, sexism and ageism) and three types of workplace discrimination (selection, performance evaluation, and opposition to diversity-supportive policies). There should be a structural comfort level in society and in the workplace.

Addressing Discrimination

An effective action plan can only address discrimination in the business and corporate workplace. They first must acknowledge that these types

of discrimination exist in the workplace, then address each incident with empathy and without judgement, provide adequate space for staff to openly discuss these issues without fear of reprisal, modify their hiring policy to become diverse in gender, age and race. This also applies to equal pay for employees. Corporate executives and managers must loathe isms and any form of dogma in the workplace. They should discourage making ageist and sexist remarks on the job, use euphemism and gender-neutral terms for both sexes, hate ageism in job advertisements, break the barriers and glass ceiling, vow to combat sexism and end preferential treatment.

Conclusion

It is undesirable to see the recurrence of any ism-centric incidents in the new year 2023. May the new year say goodbye to disruptive bad isms and welcome good isms. Corporates should take an oath to maintain ethical corporatism and best practices in the workplace to make it a second home with colleagues and peers. A healthy work-life culture needs to be nurtured and practised. A campaign must be raised to prepare students for a healthy world of work. Companies must eliminate discriminatory behaviour instead of embracing differences. Failure to do so will surely stifle innovation, productivity, employee engagement and high performance. Training and coaching alone will not change how people feel and/or behave. Zero-tolerance policy must result in accountable consequences. Office managers and stakeholders must make sure an ism-free true meritocracy-based workplace.

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(Facts and figures garnered from the information superhighway have contributed to making this opinion piece more analytical, insightful and illustrative.)

A Guide to Submission of Income Tax Return

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Abstract

If the total income of an individual during a financial/income year (July-June) exceeds a certain amount, then s/he is required to pay income tax. The amount of payable income tax depends on the amount of total income, income slabs, and tax rates as fixed by existing tax law and finance act each year. The changes made in tax laws this year were also published through the Finance Act 2022. For the computation of total income, some allowable adjustments are made as per the provisions of law.

Income tax return means the submission of a return of income in the prescribed form to the National Board of Revenue (NBR) by a person whose total income during the income year exceeds the maximum amount of non-chargeable income or the income of any other person in respect of which he is assessable to tax under the Income Tax Ordinance (ITO), 1984. Individual assessees are required to pay income tax on their total income and submit their tax return each year within November 30, which is also celebrated as Tax Day in Bangladesh.

This write-up intends to give the individual taxpayers a general idea of individual income tax assessment, ways of maximizing tax benefit, and relevant issues covering some changes brought in tax laws through the Finance Act-2022-23.

Requirement for Submission of income tax return

As per the Finance Act, 2022, if any person earned more than Tk 300,000 during the income year 2021-22 then s/he must file his/her income return along with the source(s) of income. Nevertheless, the limit of maximum tax-free income will be Tk 350,000 for women, third gender and senior taxpayers of 65 years and above age, Tk 450,000 for physically challenged and retarded personnel, and Tk 475,000 for gazette enlisted war-wounded freedom fighters. For parents of a physically challenged person, the limit would be increased by Tk 50,000. However, the following person must submit an income tax return irrespective of income:

- holds a 12-digit Tax Identification Number (TIN) except who have no taxable income but are required to have a TIN for obtaining a credit card and selling land;
- owns a motor car, owns membership of a club registered under any law governing value added tax (VAT);
- runs any business or profession having obtained

a trade license from any City Corporation, municipality or /and operates a bank account;

- has registered with a recognized professional body as a doctor, lawyer, income tax practitioner, chartered accountant, cost and management accountant, engineer, architect, surveyor, or any other similar profession;
- is a member of a chamber of commerce and industry or trade association;
- Runs for an office of any municipality, city corporation, or a Member of Parliament;
- participates in a tender floated by the government, semi-government, autonomous body or local authority;
- serves on the board of directors of a company or group of companies;
- participates in any shared economic activity by providing a motor vehicle, space, accommodation, or any other assets;
- owns any licensed arms.

Proof of Submission of Return

From this year, for many services showing e-TIN is no longer enough rather acknowledgement of receipt as proof of return needs to be submitted such as:

- applying loan for exceeding Tk 500,000;
- obtaining or maintaining a credit card;
- obtaining or maintaining membership in a professional body;
- obtaining the admission of a child or dependent in English medium school;
- obtaining or maintaining the connection of electricity in the city corporation & cantonment board area;
- purchasing savings instruments (Sanchayapatra) exceeding Tk 500,000.

Rate of Tax

The total income of an assessee consists of seven heads of income. All incomes are classified and computed under the heads of income such as --salaries, interest on securities, income from house property, agricultural income, income from business or profession, capital gains, and income from other sources.

The tax rates during the assessment year 2022-23 for individual taxpayers other than females, third gender, taxpayers of 65 years and above, physically challenged persons, retarded employees, and gazetted war-wounded freedom fighters are as follows:

Total Income	Rate of Tax
For first Tk 300,000	0%
For next Tk 100,000	5%
For next Tk 300,000	10%
For next Tk 400,000	15%
For next Tk 500,000	20%
For the rest of the amount	25%

The tax rates for females, third gender, taxpayers of 65 years and above, physically challenged, retarded, and gazetted war-wounded freedom fighters are the same after exceeding the maximum tax-free threshold.

A surcharge will also be added for wealthy taxpayers having a net worth exceeding Tk 3 crore or owners of more than one motor car or owner of a flat of 8,000-sqft size within the City Corporation area at rates from 10% to 30% on the total tax payable depending on the specific slab of total net worth.

Income that are Exempted from Tax

The following incomes as exempted are excluded on receipt/payment in calculating income tax liability:

- dividend up to Tk 50,000 from companies listed with stock exchange(s) in Bangladesh
- share of capital gain from partnership business
- gratuity up to Tk 2.5 crore from an approved fund
- income from an approved pension or superannuation fund
- income Tk 25,000 from mutual or unit fund up to
- interest from pensioners' savings certificate up to Tk 500,000
- WPPF up to Tk 50,000 by a worker
- 50% income from export business
- agricultural income up to BDT 200,000 whose only source of income is agriculture
- income derived from businesses relating to software, website, and IT
- income from SME business, turnover not more than Tk 50 lac
- income from the zero-coupon bond
- Income received from wage-earners development bond, US Dollar premium bond, US Dollar investment bond, Euro investment bond, Pound Sterling premium bond
- capital gain from the sale of the share of non-resident non-Bangladeshi shareholders
- 50% of income from the production of corn/maize or sugar beet
- income earned abroad by Bangladeshi citizens and brought into Bangladesh as per the law of foreign remittance

- honorarium or allowance from or any welfare allowance received from the Government
- any reward received from the Government
- income derived from the operation of an elderly care home or a daycare home for children
- donation to any girls' school or girls' college
- donation to a vocational training institute
- donation to any national-level institution engaged in the research and development of agriculture, science, technology, and industrial development
- production of pelleted poultry feed, pelleted feed for fish, shrimp and cattle, seeds marketing of locally produced seeds, cattle farming, dairy farming, horticulture, frog farming, sericulture, mushroom farming, and floriculture income taxed up to Tk 1,000,000 at 3%, on next Tk 2,000,000 at 10% and on the balance amount at 15%
- income from poultry tax-free up to Tk 2,000,000, taxed on next Tk 1,000,000 at 5% and on the balance amount at 10%.

Maximizing Investment Tax Rebate

Following the above way, the total tax payable by an individual is calculated and then the assessee puts a tax rebate for investments. An individual assessee can get a 15% investment tax rebate of an eligible amount. The eligible amount is the lowest of the actual investment, 20% of total income excluding exempted incomes and incomes on which minimum tax is applicable i.e., savings certificate, sale of land and lottery/prize bond, and Tk 15,000,000.

An assessee shall be entitled to a rebate from the amount of tax payable if he/she invests during the income year (from July to June) in the following items-

- life insurance premium up to 10% of the actual sum assured
- contribution to approved Provident Fund (both by the employee and employer)
- contribution to deposit pension scheme amounting to not exceeding Tk 60,000 sponsored by a scheduled bank or a financial institution (not FDR)
- donation to a national level institution set up in memory of the liberation war or father of the nation
- donation to Prime Minister's Higher Education Fund, Aga Khan Development network/ Asiatic Society/CRP/Dhaka Ahsania Mission Cancer Hospital/icddr,b, Zakat Fund/ charitable fund established by or under Zakat Fund
- any sum invested in Bangladesh Government Treasury Bond, Sanchayapatra, stocks, shares of listed companies, mutual funds, and debentures listed with any stock exchange in Bangladesh (hold at least five years or up to maturity)

Thus, the next tax payable is calculated by deducting the tax rebate for investments from the total tax payable. The assessee is required to pay that much amount of net tax. However, if the total income of an assessee exceeds the limit of maximum tax-free income, then s/he will have to pay a minimum tax if his/her net payable tax amount falls to less than the minimum tax, or even nil. The minimum amount of income tax for the assessee who lives in Dhaka and Chattogram City Corporation area is Tk 5,000, any other city corporation area is Tk 4,000, and Tk 3,000 for other taxpayers. However, individual assessees having gross receipts (all receipts from any head of income) of more than Tk 3 crore will pay minimum tax at 0.50% of the gross receipts.

How to Pay Tax

If the total income of any individual exceeds Tk 600,000 in the last assessment year, then s/he is required to pay advance tax. A new assessee whose estimated income exceeds Tk 600,000 is also required to pay advance tax. Advance tax is to be paid in quarterly instalments. In case of failing to pay advance tax, simple interest at 10% per annum shall be charged on the amount by which the tax as so paid falls short of 75% of the assessed tax.

For the other individual assesses, the tax must be paid before or with the submission of the return. Less than Tk 50,000 tax must be paid through treasury challan, and more than Tk 50,000 must be paid through pay order or demand draft or account payee cheque of any bank or e-payment.

Tax Return Form

The NBR provides specified forms for tax returns. The tax return form for the individual assessee has three parts. Part-i (IT-11GA2016): Form of return of income -- this form contains various information of the assessee, such as name and address of the assessee, TIN, total income, tax payable, acknowledgement, etc. Part-ii (IT-10B2016): Statement of assets and liabilities: this statement contains detailed particulars and value of assets and liabilities of an individual assessee including global assets, position of new worth, family expenditure, number of dependents, and a declaration by the assessee. Part-iii (IT-10BB2016): Lifestyle statement: this statement focuses on the lifestyle of the assessee, and contains particulars regarding residence, vehicle, electricity and telephone expenses, children, foreign visits, etc., along with a declaration of the assessee. Necessary schedules to be added if applicable i.e., Schedule 24A for income from salaries, Schedule 24B for income from house property, Schedule 24C for income from business and profession, and Schedule 24D for investment and tax rebate. If the assessee submits his return under self-assessment, then a tick mark is required to be given in the space provided.

An individual assessee must submit the statement of assets, liabilities, and lifestyle if s/he has a gross wealth over Tk 25 lakh or owns a motor car or made an investment in house property or an apartment in the city corporation area. If any individual, not being a shareholder director, has his income from salary or his income from business or profession does not exceed Tk 300,000, he may opt not to submit the statement of lifestyle.

To make the process easier NBR introduced a one-page return (IT-GHA2020), for individual assessees having income not more than Tk 400,000 and wealth not more than Tk 4,000,000. However, individuals having a motorcar or investment in house property or apartment in the city corporation area will not be eligible for this return.

Supporting papers/documents, such as salary certificate, investment-related papers, tax payment challan, at source deduction certificates, and other relevant papers in support of the details shown in the return are to be attached.

Submission of Income Tax Return

Each taxpayer is entitled to get an income tax return form free of cost from tax offices or the website of NBR www.nbr.gov.bd. After assessing the amount of income tax every assessee shall deposit the amount to the govt. exchequer through pay order, treasury challan or online via www.nbrepayment.gov.bd and submit duly signed and verified return form along with the necessary documents to the relevant tax circle.

However, any non-resident Bangladeshi may file his return of income along with a bank draft equivalent to the tax liability to the nearest Bangladesh mission and the mission will issue a receipt of such return with an official seal and send the return to NBR.

The Time Limit for Submission

November 30 is the last date for submission of the income tax return for individual assessees. The filing date may be extended up to two months and further extension up to another two months by the tax authorities upon application. However, additional time has been allowed only for the new assessee for the first year of return up to 30 June 2023.

Penalty for Failure to File the Return

The DCT may impose a fine of Tk 10% of the last assessed tax or Tk 1,000; whichever is higher and a further penalty of Tk 50 for every day during which the default continues. However, in the case of an individual, the penalty shall not exceed higher than Tk 5,000 for an assessee whose income was not assessed previously and Tk 1,000 or 50% of tax liability on the last assessed income. In case of delay after Tax Day, an assessee is liable to pay a delay interest at the rate of 2% per month but not exceeding one year if the assessee fails to file the income tax return on or before the Tax Day. Moreover, a penalty of 15% of tax which would have been avoided shall be imposed for concealment of income by any means.

If you are a Non-resident Foreigner

Return of income is not mandatory for a non-resident individual having no fixed base in Bangladesh. Non-residents are taxed on income earned in Bangladesh irrespective of where the payment is made. Non-residents other than Bangladeshi non-residents shall pay tax on the total income at the rate of 30%. However, they cannot claim any investment tax rebates.

Concluding Remarks

Though November 30 is the last date for submission of income tax return, it will be wise to submit the return beforehand, not waiting for the deadline, to avoid the hassle. Getting a tax return acknowledgement is not final, and your file may be reopened in the future. So, all tax-related documents, such as a copy of the return, acknowledgement, tax clearance certificates, and other papers and documents, should be preserved properly for ready reference and clarification in the future to avoid future complications. Wealth statements should be filled in carefully, and an increase/decrease in wealth should have proper clarification.

Finally, if you submit your tax return by a lawyer, please do not sign blindly. Have a look at the return and satisfy yourself that the particulars presented in the return are correct.

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Detection and Analysis of Financial Distress of Textile Industry: Empirical Evidence from Bangladesh

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Abstract

The study aims at detecting and analyzing financial distress of the textile industry of Bangladesh. In recent times, investors and creditors are much more conscious of the financial health of the organizations. In this study, Altman Z-score (1983) is used to know whether the textile companies of Bangladesh are financially sound or not. Annual reports of 41 publicly listed textile firms are used and the study found that the overall average ratio of z-score of the textile industry falls in the grey zone and only 17.07% are financially healthy. The findings also show that the financial health of the textile companies of Bangladesh is not satisfactory. The findings of the study can assist the managers, investors, lenders and other concerned parties to make relevant decisions.

Keywords

Financial Distress, Altman Z-Score, Textile Industry, Bangladesh.

Introduction

Despite a platform created by corporate ethics and governance to stop financial distress, early prediction is necessary for investors and other lending institutions (Muller, Steyn-Bruwer and Hamman, 2009). Some significant and most epic downfalls i.e. Standard Oil (1911), Blockbuster (2010), Allied Crude Vegetable Refining Corporation (1963), Enron (2001), WorldCom (2002), Adelphia Communications (2005) escalates the awareness of organization's financial health. The world market has seen a number of major bankruptcies in 2020 alone due to Covid-19. Ventura (2021) mentioned that many shaky companies is being pushed into the edge of bankruptcy in this present pandemic situation. It is not only the foreign country's scenario but also many Bangladeshi textile companies are in danger; some are financially distressed or on the way to bankruptcy, some are needed to be protected. Foreign orders have decreased due to Novel Coronavirus this year.

Multiple factors like low labor cost, the duty-free advantage, labor availability, environment pave the way for Textile Industry of Bangladesh to contribute at a large scale to the economy and become the world's second largest apparel producer. Undoubtedly the growth of the textile industry means the overall growth of the economy. The textile industry contributes the total export income by 85% and the total GDP by 20%.

If the probable insolvency is identified in the earlier stage, then it may avoid the evils in the near future and protect the firm from bankruptcy situation (Sajjan, 2016). Bankruptcies do

not occur all of a sudden, rather it gives signals prior to the worst situation comes. The study aims at filling the literature gap by giving the textile companies an idea of their probable financial distress, thus rectifying the situation and the investors awareness of their investment. The study is conducted without being biased and tries to picture the real financial scenario of the textile industry. Due to limitations of the model, data unavailability and probability of financial statement manipulation, the author suggests for more future research.

The companies used in this study are categorized as financially distressed firms, financially healthy firms and firms in the grey zone to give an overall indication of industry health. The primary / core objective of this study is to give a signal about the probable financial distress. This study also can assist the investors, lenders, policymakers, government and other stakeholders for making relevant decisions. The purpose is never to declare anyone directly bankrupt, but to protect the textile companies of Bangladesh from going through bankruptcy. The specific objectives of this study are to identify-

1. the number of financially distressed firms in the textile industry of Bangladesh from 2017 to 2020;

2. the observed pattern of financial distress in the textile industry of Bangladesh; and

3. the uniformity of variables over the years.

Literature Review

A relevant guiding principle of audited financial statements is the idea that the reporting company will continue to be in enterprise for the foreseeable future (Cormier, Magnan and Morard, 1995). An accounting term that identifies the ability to sustain for a foreseeable future is referred to as going concern. Assessing the firm's going concern status is not a simple task at all.

The firm that experiences difficulties in maintaining their normal operations and in severe cases become the likely candidates for bankruptcy (Baharin and Sentosa, 2013). Firms cannot meet its current obligations as a consequence of liquidity crisis in the distress firm and the formal declaration by court is known as bankruptcy (Kiaupaite-Grushniene, 2016). The failure firms are consistently generating lower realized rate of return, lower average return than cost of capital and lower revenue (Baharin and Sentosa, 2013).

Causes that tends to financial failure include size, structure, financial performance and liquidity position of the firms (Ohlson, 1980). Besides, inefficiency in planning, employee staffing, managerial functions, inadequacy in capital inflow, growth, expansion and increasing competition in the trade areas uplift the tendency of failure (Gaskill et al., 1993; Hyder and Lussier, 2016).

Failure indicates resource misallocation thus to therefore important to determine the distress from the private investor and social view (Glautier and Underdown, 2001). The early prediction can enable to avoid bankruptcy cost, failure to all concerns and to contribute towards financial stability (Gharaibeh, Sartawi and Daradkah, 2013). Bankruptcy costs include several direct costs and indirect costs (Warner, 1977). However, the tendency of earnings manipulation during distress is also increased (Kyriakou, 2020).

Identifying the appropriate model for distress prediction have long been a study concern of the business practitioners, investors, governments and academic researchers in order to minimize the economic losses (Balleisen, 2001; Zywicki, 2008, as cited in Liang et al., 2016).

Traditionally, ratio analysis was used in early 1930s to predict bankruptcy (Mukhopadhyay et al.,2013). Developing prediction model has become a critical financial and accounting research in 1960s (Ray, 2011). However, the chronological development of the distress model can be divided into before and after the 1990s (Kiaupaite-Grushniene, 2016).

Different methods and techniques of predicting financial distress and bankruptcy are developed through the years. One way variance analysis, MDA, analysis of logarithm, analysis of recurrent algorithm and analysis of neural network are common types of models to predict the failure (Ali and Abdulhassan Abbas, 2015). Fitzpatrick (1932), Merwin (1942), Walter (1957), Beaver (1966) used a univariate model whereas Altman (1968), Edmister (1972), Deakin (1972), Blum (1974), Moyer (1977), Altman, Halderman & Narayanan (1977), Altman (1983), Rose & Giroux (1984), Casey & Bartczak (1985), Lawrence & Bear (1986), Poston, Harmon & Gramlish (1994), Grice & Ingram (2001) used a multivariate discriminant model to predict the financial distress and bankruptcy (Anjum, 2012).

Financial ratios are the mostly applied predictors in the existing model to estimate the distress in the various firms around the globe (Shah, 2014). Ratio analysis provides useful information, but the degree of accuracy between failure or non-failure firms varies (Beaver, 1966). However, the combination of ratios with other indicators can improve the performance of the model compared to the ratio analysis alone (Liang et al., 2016).

Though a significant number of prediction models developed over the years, still Altman z-score is widely used by different practitioners to predict distress. Edward. I Altman used a multivariate formula to predict and the model can successfully be used two years priors to probable financial distress (Hayes et al., 2010). The first model introduced in 1968 and the accuracy is higher than the Beaver Model (Kiaupaite-Grushniene, 2016). But the initial formula was limited only to the publicly manufacturing companies

(Winaya et al., 2020). Later he developed two more formulas in 1983 and 1993 with the same accuracy rate for the private and non-manufacturing companies (Winaya et al., 2020). All the three models are used by practitioners to estimate distress of publicly and privately held manufacturing and non-manufacturing companies (including banks and other financial institutions). To predict financial distress in one, two- or three-years advance, Altman Model can be applied safely (Anjum, 2012).

Methods

Research Design

We used Altman Z-score (1983) to identify the financially distress and healthy firms. Data is conducted to z-score analysis from the income statement, balance sheet, owner's equity statement and notes in the annual corporate report. The z-score above the 2.90 benchmark referred as financially healthy, below the benchmark 1.20 referred as financially distressed, the score between 1.20 and 2.90 referred as grey zone (Subramanyam & Wild, 2014, pp. 584). The Z-score is calculated as follows:

$$\text{Z-score} = 0.717X1 + 0.847X2 + 3.107X3 + 0.420X4 + 0.998X5$$

Here,

X_1= total assets to working capital are the measure of liquidity analysis that identifies the payment ability to a firm's short-term obligations

X_2= retained earnings to total assets is the measure of profitability that identifies the relative earnings generation capabilities to its assets

X_3= earnings before leverage and tax factors are the measure of efficiency that identifies the productivity of the firm's assets

X_4= shareholders equity to total liabilities is the measure of volatility that identifies the net decrease in a firm's assets before the debt exceeds the assets

X_5= sales to total assets are the measure of assets turnover that identifies the earnings generation power of a firm's assets

Data

The source of data is secondary in nature. Currently there are 611 listed companies in DSE in which 58 are from the textile sector. Due to the unavailability of some annual reports of the consecutive four years our sample size reduced to 41 that representing 70.69% of the total population.

Tools

First, all the data is collected in a Microsoft Excel Worksheet. Then all the necessary calculations have been done to find the Z-score. The results drawn from the Z-score calculation then used to categorize the firms and the results are presented as a percentage form to observe the pattern. Secondly, An ANOVA Test has been performed to know whether the variables are uniform over the years or not.

Findings and Analysis

Descriptive Statistics of Z-score Variables

Table 1

Descriptive Statistics of Z-score Variables

Variable	Maximum				Minimum				Mean			
	2020	2019	2018	2017	2020	2019	2018	2017	2020	2019	2018	2017
X_1	0.61	0.62	0.60	0.59	-2.50	-2.29	-1.94	-1.60	0.12	0.12	0.14	0.16
X_2	0.41	0.41	0.50	0.55	-3.09	-2.64	-2.24	-1.84	0.03	0.07	0.09	0.11
X_3	0.10	0.13	0.13	0.19	-0.21	-0.13	-0.17	-0.14	0.03	0.05	0.06	0.07
X_4	9.96	13.72	19.73	27.10	-0.71	-0.67	-0.63	-0.58	1.99	2.19	2.40	2.63
X_5	2.15	2.55	2.50	2.67	0.04	0.06	0.11	0.19	0.50	0.65	0.68	0.69
Z-score	5.64	6.55	9.13	12.31	-4.94	-3.27	-2.44	-1.83	1.53	1.89	2.05	2.20

Table 2

One-way ANOVA of the Working Capital to Total Assets Ratio.

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	26.31232	40	0.657808	53.54233	7.33E-61	1.492767
Within Groups	1.511148	123	0.012286			
Total	27.82347	163				

Liquidity Analysis: By the nature of business, the textile firms require a huge amount of working capital to carry out smooth business operation. Among the selected sample firms, FAMILYTEX obtained the highest liquidity ratios for consecutive four years; 0.61 in 2020, 0.62 in 2019, 0.60 in 2018, 0.59 in 2017. At the same time, the average liquidity ratio of the industry is 0.12 in 2020, 0.12 in 2019, 0.14 in 2018, and 0.16 in 2017. This ratio indicates the firm's ability to meet up its short-term obligations or current liabilities. The lowest liquidity ratios obtained by DULAMIACOT are -2.50, -2.29, -1.94, -1.60 for the respective four years, this negative figure of the ratio indicates the poor liquid position of the firm. Currently, these firms are suffered by excessive current debt than their current assets.

The ANOVA Table is showing that the convincing result as the calculated F value (53.54233) is far higher than the critical F value (1.492767). So, it can be concluded that the values of X1 are not uniform in nature.

Profitability Analysis: Retained Earnings to Total Assets ratio (X2) is the parameter of assessing the firm's soundness. From the calculation we found that the highest profitability is obtained 0.41 (HWAWELLTEX) in 2020; 0.41 (VFSTDL) in 2019; 0.50 (KTL) in 2018; and 0.55 (SQUARETEXT) in 2017. These companies are able to meet their expenses and other relevant costs incurred during the period and managed effectively. The average profitability is 0.03 in 2020, 0.07 in 2019, 0.09 in 2018, and 0.11 in 2017. The positive amount of these ratios indicates that the textile industry is able to generate the earnings, profits and cash flows. The calculation also shows some negative figures which means these firms incurred losses during the period.

The one-way ANOVA shows that the calculated F value (78.51932) is far higher than the critical F value (1.492767). Thus, to conclude that the X2 variables are not uniform over the years.

Table 3

One-way ANOVA of Retained Earnings to Total Assets Ratio

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	28.6981	40	0.717452	78.51932	1.76E-70	1.492767
Within Groups	1.123885	123	0.009137			
Total	29.82198	163				

Table 4

One-way ANOVA of EBIT to Total Assets Ratio

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.30338	40	0.007585	6.368187	9.38E-16	1.492767
Within Groups	0.146493	123	0.001191			
Total	0.449873	163				

Efficiency Analysis: The EBIT to Total Assets ratio indicates the productivity of firm's assets before tax and leverage factors. The existence of the firms depends on the earnings power of its assets. Primarily the solvency is measured by this ratio. This is also called the efficiency analysis of the firm's assets. The highest efficiency ratio obtained is 0.10 (KTL) in 2020; 0.13 (KTL) in 2019; 0.13 (DSHGRME) in 2018; and 0.19 (DSHGRME) in 2017. The average ratio of the industry is 0.03 in 2020, 0.05 in 2019, 0.06 in 2018, and 0.07 in 2017. That means the industry efficiently done with its assets. The lowest ratios are -0.21 (ZAHEENSPIN), -0.13 (DULAMIACOT), -0.17 (DULAMIACOT), -0.13 (DULAMIACOT). These companies are not efficiently generating earnings comparing to their assets, that means these companies are not efficiently managed.

The ANOVA Table shows that the calculated F values (6.368187) of EBIT to Total Assets ratio is far higher than the critical F value (1.492767). Thus, it can be said that the X3 variables are not uniform over the years.

Volatility Analysis: Shareholder's Equity to Total Liabilities ratio represents the volatility of the firms. From the calculation the highest volatility obtained in 2020 is 9.96 (KTL); in 2019 is 13.72 (FAMILYTEX); in 2018 is 19.73 (FAMILYTEX); and in 2017 is 27.10 (FAMILYTEX). So, the condition of these companies is far better than the other companies of the industry. The lowest volatility ratios (DULAMIACOT) are -0.71, -0.67, -0.63, -0.58 in the respective four years. That means these companies total liabilities is less than the shareholder's equity which is amiss. The average volatility ratios of the industry are 1.99, 2.19, 2.40, 2.63 for the respective four years. That means the average companies have the higher shareholder's equity than the total liabilities.

The ANOVA Table shows that the calculated F value (20.32077) is far higher than the critical F value (1.492767). So, it can be concluded that the value of shareholder's equity to total liabilities are not uniform over the years.

Table 5

One-way ANOVA of Shareholder's Equity to Total Liabilities Ratio

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	1701.974	40	42.54936	20.32077	6.03E-38	1.492767
Within Groups	257.5478	123	2.093885			
Total	1959.522	163				

Table 6

One-way ANOVA of Sales to Total Assets Ratio

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	36.25209	40	0.906302	29.99324	7.75E-47	1.492767
Within Groups	3.716677	123	0.030217			
Total	39.96877	163				

Total Assets Turnover Analysis: Asset turnover ratio of the firms means the firm's ability to generate sales by using its assets. In the competitive market this ratio indicates the management efficiency to make sales. From the calculation, the highest asset turnover ratio in 2020 is 2.15 (APEXSPIN); and in 2019, 2018, 2017 (STYLECRAFT) are 2.55, 2.50, & 2.67. All the firms of the industry have a positive asset turnover ratio that means all the firms are generating sales. The lowest asset turnover ratio of the respective four years is 0.04 (DULAMIACOT), 0.06 (ALLTEX), 0.11 (ALLTEX), and 0.19 (REGENTTEX). The average asset turnover ratio of the respective four years is 0.50, 0.65, 0.68, and 0.69.

The ANOVA Table shows that the calculated F value (19.72978) of sales to total assets ratio is far higher than the critical F value (1.492767). So, the null hypothesis can be rejected that the variable is uniform.

Comparative Analysis of Z-score: The calculation Altman Z-score indicates the soundness and distress of the firms. From the calculation we found that the highest Z-score obtained in 2020 by KTL is 5.64; in 2019, 2018, 2017 by FAMILYTEX are 6.55; 9.13; and 12.31. These z-score is far higher than 2.90 which means the sound health of these firms in the respected years. Besides, the maximum average z-score is 8.11. On the contrary, the average z-score in 2020 is 1.53, in 2019 is 1.89, in 2018 is 2.05, and in 2017 is 2.20. All the average scores lie in the grey zone. This absolutely indicate a downturn in the textile industry of Bangladesh. Even the average of average z-score also lies in the grey zone (1.92). The lowest z-scores (DULAMIACOT) are -4.94, -3.27, -2.44, -1.83 in the respective four years, and the lowest average of the industry is -3.12. These negative figures indicates that these firms are on the edge of bankruptcy.

However, only 6 firms in 2020, 8 firms in 2019, 9 firms in 2018, & 10 firms in 2017 are financially healthy which respectively 14.63%, 19.51%, 21.95%, & 24.39% of our selected samples. That is the number of financially healthy firms declined over the years. The study also shows that the number of financially distress firms are 20, 12, 13, & 9 in the respective four years which is of 48.78%, 29.27%, 31.71%, & 21.95% of our selected samples. The highest number of financially distressed firms are found in 2020. At the same time the number of grey zone firms are 15, 21, 19, & 22 in the respective four years which is of 36.59%, 51.22%, 46.34%, & 53.66% of our selected samples. If we consider the average z-score, then 12 firms are

Table 7

Summary of z-scores

	2020	2019	2018	2017	Average
Number of Financially Distressed Firms (z-score<1.20)	20	12	13	9	12
	48.78%	29.27%	31.71%	21.95%	29.27%
Number of Healthy Firms (z-score>2.90)	6	8	9	10	7
	14.63%	19.51%	21.95%	24.39%	17.07%
Number of Firms in Grey Zone (z-score between 1.20 to 2.90)	15	21	19	22	22
	36.59%	51.22%	46.34%	53.66%	53.66%
Total	**41**	**41**	**41**	**41**	**41**
	100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Table 8

One-way ANOVA of Z-score

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	467.5195	40	11.68799	19.72978	2.7E-37	1.492767
Within Groups	72.8656	123	0.592403			
Total	540.3851	163				

financially distressed, 7 firms are financially healthy and 22 firms in the grey zone. Therefore, the financial health of the textile industry is facing a downward fall during these years.

The ANOVA calculation of the z-scores shows that the calculated F value (19.72978) is far higher than the critical F value (1.492767). So, it can be concluded that the z-scores are not uniform over the years.

Conclusion

The export-oriented textile industry is the prime source that contributes to the overall economy by foreign exchange earnings on a large scale. However, identifying the financial soundness of the industry is crucial from the economic perspective, as the shareholders expect to invest in the firms that best utilize their funds, give better returns, and maximize their wealth. Altman Z-score can be used to identify the probable financial distress of a firm. The results of the study shows that the overall condition of the textile industry of Bangladesh is not satisfactory at all and the numbers of distressed firms increased over the years. The average Z-scores of 82.93% firms lie either in the distressed zone or grey zone. Only average Z-scores of 17.07% firms are in the safe zone or said to be financially sound. The study also reveals that the variables used in the models are not uniform over the years. The firms in the financially distressed situation having a great possibility of being bankrupt in the near future and the investors should be careful to invest in those firms. Firms in the grey zone should take initiatives, or it could spell disaster in the long run. Government, policy maker and other related persona need to be concern about the overall health of the industry and should take actions as necessary. The study does not aim at claiming anyone directly bankrupt as the Altman Model is a probabilistic model and use only some factors and ratios from the annual financial statements. It only gives signal about the financial soundness. The study suggests for the future research to explore the other relevant factors.

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APPENDICES

Table A

Calculation of Z-score Ratios

Company	X1				X2				X3				X4				X5			
	2020	2019	2018	2017	2020	2019	2018	2017	2020	2019	2018	2017	2020	2019	2018	2017	2020	2019	2018	2017
AL-HAJTEX	0.28	0.29	0.48	0.53	-0.07	0.04	0.04	0.07	-0.01	-0.04	0.02	0.07	0.28	0.31	0.76	0.83	0.11	0.11	0.45	0.53
ALLTEX	-0.41	0.04	-0.31	-0.10	-0.17	0.09	-0.14	-0.02	0.03	-0.04	0.08	0.02	0.31	0.44	0.38	0.57	0.04	0.06	0.11	0.31
ANLIMAYARN	0.09	-0.11	-0.14	-0.17	0.01	0.02	0.02	0.02	0.01	0.03	0.03	0.03	0.86	0.87	0.86	0.81	0.37	0.39	0.43	0.41
APEXSPIN	0.15	0.11	0.07	0.09	0.27	0.25	0.23	0.25	0.06	0.09	0.04	0.04	0.55	0.51	0.46	0.50	2.15	2.55	2.49	2.42
ARGONDENIM	0.33	0.31	0.35	0.34	0.22	0.22	0.20	0.18	0.08	0.12	0.12	0.12	1.65	1.68	1.78	1.76	0.57	0.65	0.68	0.62
DSHGARME	0.19	0.11	0.07	-0.01	0.05	0.04	0.02	-0.05	0.09	0.09	0.13	0.19	0.99	0.50	0.50	0.63	1.47	1.57	1.43	1.57
DSSL	0.52	0.50	0.43	0.55	0.23	0.19	0.19	0.24	0.08	0.10	0.11	0.09	6.47	5.29	4.90	3.86	0.46	0.52	0.48	0.44
DULAMIACOT	-2.50	-2.29	-1.94	-1.60	-3.09	-2.64	-2.24	-1.84	0.09	-0.13	-0.17	-0.14	-0.71	0.67	-0.63	-0.58	0.04	1.28	1.65	1.56
ENVOYTEX	0.04	0.02	-0.06	-0.06	0.11	0.11	0.08	0.08	0.06	0.08	0.05	0.05	0.61	0.57	0.56	0.60	0.45	0.51	0.43	0.38
ETL	0.09	0.09	0.09	0.12	0.07	0.10	0.08	0.08	0.05	0.09	0.09	0.09	0.95	1.01	1.11	1.04	0.40	0.52	0.55	0.56
FAMILYTEX	0.61	0.62	0.60	0.59	0.12	0.13	0.18	0.22	0.00	0.01	0.00	0.01	8.92	13.72	19.73	27.10	0.14	0.22	0.25	0.30
FEKDIL	0.42	0.41	0.42	0.40	0.18	0.20	0.23	0.25	0.05	0.06	0.07	0.10	2.63	2.67	4.57	3.34	0.65	0.83	0.74	0.74
GENNEXT	0.31	0.29	0.25	0.24	0.03	0.03	0.07	0.07	0.04	0.07	0.10	0.07	1.76	1.99	3.98	4.41	0.34	0.59	0.57	0.51
HFL	0.15	0.13	0.11	0.11	0.23	0.22	0.19	0.18	0.04	0.06	0.07	0.05	3.27	3.08	2.21	2.50	0.34	0.41	0.45	0.27
HRTEX	0.07	0.08	-0.10	-0.02	0.04	0.04	0.06	0.05	0.06	0.08	0.09	0.07	0.44	0.63	0.31	0.33	0.63	0.84	1.25	1.09
HWAWELLTEX	0.50	0.46	0.42	0.48	0.41	0.36	0.34	0.33	0.09	0.09	0.08	0.08	9.19	5.41	5.03	5.89	0.65	0.69	0.65	0.66
KTL	0.52	0.51	0.39	0.30	0.39	0.41	0.50	0.46	0.10	0.13	0.10	0.09	9.96	10.65	8.78	8.31	0.46	0.58	0.46	0.47
MAKSONSPIN	0.11	0.09	0.11	0.15	0.19	0.20	0.22	0.24	0.05	0.06	0.07	0.06	0.76	0.79	0.89	0.99	0.43	0.44	0.49	0.46
MALEKSPIN	0.07	0.09	0.12	0.13	0.06	0.09	0.09	0.09	-0.01	0.01	0.05	0.04	0.79	1.03	1.22	1.32	0.51	0.60	0.67	0.63
MATINSPINN	0.06	0.08	0.09	0.05	0.20	0.21	0.20	0.17	0.05	0.03	0.07	0.06	2.10	1.75	1.72	1.37	0.55	0.66	0.60	0.42
METROSPIN	0.13	0.13	0.11	0.03	0.15	0.16	0.16	0.17	0.05	0.05	0.05	0.03	0.94	0.92	0.82	0.84	0.37	0.47	0.42	0.39
MHSML	-0.25	-0.35	0.34	0.48	0.05	0.08	0.24	0.26	-0.01	0.00	0.05	0.12	0.45	0.60	3.61	5.53	0.06	0.09	0.32	0.61
NURANI	0.40	0.33	0.43	0.34	0.06	0.13	0.14	0.12	0.02	0.11	0.12	0.09	1.34	1.52	1.53	1.17	0.37	0.55	0.61	0.57
PDL	0.42	0.46	0.50	0.51	0.14	0.18	0.18	0.17	0.07	0.11	0.11	0.10	2.43	2.45	2.30	1.83	0.57	0.69	0.70	0.64
PRIMETEX	0.06	0.02	0.00	-0.01	0.01	0.03	0.03	0.01	0.01	0.04	0.04	0.05	1.09	0.94	0.92	1.09	0.26	0.45	0.45	0.48
PTL	0.03	0.02	0.03	0.12	0.15	0.11	0.09	0.12	0.06	0.07	0.07	0.08	0.67	0.57	0.57	1.03	0.58	0.69	0.56	0.69
QUEENSOUTH	0.46	0.44	0.43	0.41	0.20	0.22	0.22	0.20	0.06	0.09	0.08	0.08	1.03	1.06	1.03	0.94	0.77	1.11	1.11	1.21
RAHIMTEXT	-0.12	0.08	0.02	-0.07	0.10	0.10	0.10	0.11	0.05	0.06	0.07	0.07	0.26	0.22	0.25	0.33	0.75	0.63	0.63	0.64
REGENTTEX	0.30	0.30	0.20	0.39	0.10	0.12	0.10	0.11	0.01	0.04	0.04	0.04	1.41	1.53	1.15	1.78	0.14	0.24	0.18	0.19
SAFKOSPINN	0.14	0.10	-0.03	0.15	-0.12	0.04	-0.03	-0.05	-0.02	0.06	0.06	0.06	0.48	0.45	0.52	0.69	0.17	0.33	0.38	0.41
SAIHAMCOT	0.05	0.05	0.11	0.09	0.07	0.09	0.12	0.10	0.01	0.04	0.05	0.05	1.39	1.55	1.14	1.42	0.33	0.34	0.46	0.52
SAIHAMTEX	0.11	0.11	0.15	0.17	0.03	0.04	0.09	0.09	0.00	0.00	0.04	0.05	1.75	2.06	0.97	1.28	0.28	0.45	0.44	0.35
SHASHADNIM	0.12	0.15	0.15	0.16	0.16	0.18	0.19	0.18	0.06	0.07	0.09	0.10	0.79	0.99	0.97	1.04	0.48	0.64	0.62	0.58
SHEPHERD	0.17	0.19	0.21	0.19	0.07	0.10	0.11	0.11	0.04	0.07	0.06	0.06	0.97	0.98	1.00	1.00	0.53	0.59	0.57	0.56
SONARGAON	0.58	0.37	0.35	0.18	-0.03	0.02	-0.01	-0.02	0.03	0.07	0.06	0.05	0.64	0.72	0.80	0.86	0.38	0.48	0.47	0.49
SQUARETEXT	0.02	0.07	0.16	0.27	0.35	0.41	0.48	0.55	0.03	0.06	0.06	0.05	0.92	1.23	1.83	2.62	0.69	0.78	0.81	0.76
STYLECRAFT	-0.12	0.08	-0.15	-0.19	0.17	0.21	0.23	0.24	0.07	0.08	0.07	0.06	0.36	0.32	0.32	0.32	1.59	2.55	2.50	2.67
TOSRIFA	-0.07	0.06	-0.01	0.04	0.07	0.11	0.14	0.17	0.00	0.03	0.03	0.04	0.86	0.94	1.43	2.49	0.48	0.45	0.35	0.41
VFSTDL	0.46	0.42	0.38	0.35	0.39	0.41	0.49	0.43	0.09	0.13	0.12	0.13	7.43	8.02	8.28	6.50	0.45	0.59	0.59	0.61
ZAHEENSPINN	0.26	0.43	0.39	0.35	-0.24	0.09	0.11	0.13	-0.21	0.06	0.10	0.12	3.79	9.49	8.78	8.12	0.48	0.52	0.58	0.64
ZAHINTEX	0.18	0.32	0.39	0.39	-0.05	0.03	0.08	0.09	-0.01	0.01	0.05	0.07	0.78	1.04	1.15	1.39	0.09	0.10	0.21	0.36

Table B

Calculation of Z-scores

Company	ZScore									
	2020	**Remark**	**2019**	**Remark**	**2018**	**Remark**	**2017**	**Remark**	**Average**	**Remark**
AL-HAJTEX	0.32868	Distressed	0.27083	Distressed	1.22161	Grey Zone	1.54360	Grey Zone	0.84118	Distressed
ALLTEX	-0.37316	Distressed	0.01017	Distressed	0.32673	Distressed	0.52298	Distressed	-0.04169	Distressed
ANLIMAYARN	0.70059	Distressed	0.78959	Distressed	0.81322	Distressed	0.75086	Distressed	0.76357	Distressed
APEXSPIN	2.91659	Healthy	3.33436	Healthy	3.05467	Healthy	3.00933	Healthy	3.07874	Healthy
ARGONDENIM	1.93509	Grey Zone	2.12389	Grey Zone	2.20931	Grey Zone	2.10806	Grey Zone	2.09409	Grey Zone
DSHGARME	2.33973	Grey Zone	2.16059	Grey Zone	2.08715	Grey Zone	2.36171	Grey Zone	2.23730	Grey Zone
DSSL	3.97497	Healthy	3.55834	Healthy	3.35968	Healthy	2.93659	Healthy	3.45740	Healthy
DULAMIACOT	-4.93862	Distressed	3.27261	Distressed	2.43763	Distressed	1.83312	Distressed	-3.12049	Distressed
ENVOYTEX	1.00345	Distressed	1.10453	Distressed	0.85866	Distressed	0.81402	Distressed	0.94516	Distressed
ETL	1.05665	Distressed	1.35909	Grey Zone	1.43025	Grey Zone	1.43811	Grey Zone	1.32102	Grey Zone
FAMILYTEX	4.42561	Healthy	6.55274	Healthy	9.13168	Healthy	12.31176	Healthy	8.10545	Healthy
FEKDIL	2.36411	Grey Zone	2.59635	Grey Zone	3.37791	Healthy	2.94644	Healthy	2.82121	Grey Zone
GENNEXT	1.45814	Grey Zone	1.85573	Grey Zone	2.78871	Grey Zone	2.82968	Grey Zone	2.23307	Grey Zone
HFL	2.12800	Grey Zone	2.18267	Grey Zone	1.84061	Grey Zone	1.69998	Grey Zone	1.96282	Grey Zone
HRTEX	1.08514	Distressed	1.44278	Grey Zone	1.63035	Grey Zone	1.47758	Grey Zone	1.40896	Grey Zone
HWAWELLTEX	5.48022	Healthy	3.86529	Healthy	3.57901	Healthy	3.98487	Healthy	4.22735	Healthy
KTL	5.64118	Healthy	6.17492	Healthy	5.15200	Healthy	4.84218	Healthy	5.45257	Healthy
MAKSONSPIN	1.13130	Distressed	1.18286	Distressed	1.33291	Grey Zone	1.38231	Grey Zone	1.25734	Grey Zone
MALEKSPIN	0.90154	Distressed	1.20544	Grey Zone	1.48612	Grey Zone	1.49499	Grey Zone	1.27202	Grey Zone
MATINSPINN	1.79261	Grey Zone	1.73338	Grey Zone	1.77261	Grey Zone	1.35343	Grey Zone	1.66301	Grey Zone
METROSPIN	1.13128	Distressed	1.25509	Grey Zone	1.13049	Distressed	1.00382	Distressed	1.13017	Distressed
MHSML	0.07871	Distressed	0.14996	Distressed	2.42376	Grey Zone	3.87207	Healthy	1.63113	Grey Zone
NURANI	1.35294	Grey Zone	1.87085	Grey Zone	2.05570	Grey Zone	1.67140	Grey Zone	1.73772	Grey Zone
PDL	2.23654	Grey Zone	2.53899	Grey Zone	2.52947	Grey Zone	2.23836	Grey Zone	2.38584	Grey Zone
PRIMETEX	0.79038	Distressed	1.01954	Distressed	0.99191	Distressed	1.09835	Distressed	0.97504	Distressed
PTL	1.20580	Grey Zone	1.26407	Grey Zone	1.11171	Distressed	1.54677	Grey Zone	1.28209	Grey Zone
QUEENSOUTH	1.89294	Grey Zone	2.35224	Grey Zone	2.29573	Grey Zone	2.32229	Grey Zone	2.21580	Grey Zone
RAHIMTEXT	1.01116	Distressed	0.92615	Distressed	1.03166	Distressed	1.04767	Distressed	1.00416	Distressed
REGENTTEX	1.07769	Distressed	1.31990	Grey Zone	1.01279	Distressed	1.45202	Grey Zone	1.21560	Grey Zone
SAFKOSPINN	0.31560	Distressed	0.75922	Distressed	0.73922	Distressed	0.96122	Distressed	0.69381	Distressed
SAIHAMCOT	1.04900	Distressed	1.22252	Grey Zone	1.27400	Grey Zone	1.42572	Grey Zone	1.24281	Grey Zone
SAIHAMTEX	1.12269	Distressed	1.44140	Grey Zone	1.15457	Distressed	1.23234	Grey Zone	1.23775	Grey Zone
SHASHADNIM	1.22621	Grey Zone	1.52182	Grey Zone	1.56384	Grey Zone	1.58190	Grey Zone	1.47344	Grey Zone
SHEPHERD	1.25353	Grey Zone	1.43035	Grey Zone	1.42523	Grey Zone	1.39719	Grey Zone	1.37658	Grey Zone
SONARGAON	1.12675	Distressed	1.27639	Grey Zone	1.22295	Grey Zone	1.11501	Distressed	1.18528	Distressed
SQUARETEXT	1.48775	Grey Zone	1.88048	Grey Zone	2.28352	Grey Zone	2.68227	Grey Zone	2.08350	Grey Zone
STYLECRAFT	1.99899	Grey Zone	3.05748	Healthy	2.93372	Healthy	3.05322	Healthy	2.76085	Grey Zone
TOSRIFA	0.83530	Distressed	0.99605	Distressed	1.16654	Distressed	1.76726	Grey Zone	1.19129	Distressed
VFSTDL	4.52364	Healthy	5.00727	Healthy	5.13640	Healthy	4.34682	Healthy	4.75353	Healthy
ZAHEENSPINN	1.38748	Grey Zone	5.07354	Healthy	4.95812	Healthy	4.77595	Healthy	4.04877	Healthy
ZAHINTEX	0.47474	Distressed	0.82369	Distressed	1.18874	Distressed	1.50563	Grey Zone	0.99820	Distressed

Is Crisis Management Fund Rewarding?
A Perspective from Emerging Banking Industry

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Abstract

Crisis management fund is the preparation and management of a separate fund that accelerate a business organization capability to cope up with emergency and unwanted situations. A very few studies have been conducted regarding crisis management fund and about its dimensions. This study bridges this research gap. The prime objective of this study is to investigate the relationship between crisis management fund and companies' survival during any difficulty. This study was based on Banking industry from emerging economics such as Bangladesh. The study was mainly based on primary data. A structured questionnaire was administered to collect the primary data. The questionnaire was then delivered to 30 banks in Bangladesh. Total respondents from 30 banks are 185.For analyzing the data some tests were applied like frequency, descriptive statistics, Pearson correlation and regression analysis. The statistical analysis revealed there is a significant relationship between crisis management fund and companies' survival. The study explores that crisis management fund has a positive impact on talking unforeseen loss during any unwanted situation.

Introduction

A crisis is a threat that hinders the success of a business and affects the performance of a business adversely (Carrascosa, 2019; Sidak & Koval, 2018). A crisis or disaster may come from different forms. A crisis or disaster may occur due to environmental change, political unrest, war, labor violence or from some unexpected pandemic(Ghibellini, 2021; Wobodo, Orianzi, Oko-Jaja, & Management, 2020). No matter from where the crisis come, it should be handled efficiently. Academics, practitioners, and regulators all agree that effective crisis management is a crucial component of bank management. Several authors believe that the current state of the world is directly responsible for an increase in crises and natural disasters(Chang et al., 2022; Li, Zhong, Zhang, Hua, & Management, 2021; Oh & Oetzel, 2022; POULLIKKA, 2022). Several crises and disasters have impacted organizations, such as the global financial crisis, natural disasters such as floods and cyclones, geopolitical threats, and the most recent one due to the COVID-19 pandemic, and scholars have studied ways to manage them tries to reveal how crisis management practices have been adopted in the industry(Li et al., 2021; Oh & Oetzel, 2022).

Crisis management is the preparation and management of

some strategies that help a business to cope up with emergency and unwanted situations and thus protect the business, employees, shareholders, customers, government and others from financial loss. The strategies may take in different phases like pre-crisis strategies, strategies during a crisis or post-crisis strategies. A sound crisis management plan helps a business to hold its reputation, ensures employees and customer loyalty and creates a safe zone from its competitors. Ensuring Crisis management fund in a company can be one of the strongest proactive strategies. Crisis management planning for a crisis, a turning point is the art of removing the risk and uncertainty to allow you to achieve more control over your own destiny (Harrison & Johnson, 2019). Crisis management is by its very nature, high risk and highly unpredictable. Crisis management is a journey of constant approvement.

When Lehman Brothers Holdings, Inc. filed for bankruptcy on September 15, 2008, the recent global economic and financial crisis broke out in the United States.(Bishop, 2019) argues that it is necessary to improve banking supervision and banks' risk management to ensure successful financial liberalization. For fighting with crisis maintaining a fund for crisis management may be effective for an organization(Wiggins & Metrick, 2019).

Many authors define crisis or disaster, discussed about strategies, importance of varied strategies in different sectors a lot but did not discuss about crisis management fund and how it is related with company's survival during unexpected situation(Harrison & Johnson, 2019; Li et al., 2021; Majebi & Majebi, 2021; Oh & Oetzel, 2022; Sidak & Koval, 2018). Crisis Management Fund is a new concept and this study helps to fulfill the research gap in this context. The prime problem of this study is that during crisis, banking companies have faced challenges regarding its smooth operation and smooth survival. The main objective of the study is to investigate the relationship between Crisis Management Fund and Company's Survival.

The structure of this paper is that induction was placed in first and followed by literature review on crisis management fund. Consequently, research methodology followed by data analysis and discussion was illustrated. Finally, the conclusion of this study was placed focusing recommendations and significant of the of the findings.

Literature Review

Crisis management fund is a recent concept and if the companies can ensure crisis management fund in their companies, it may lead them to sustainable financial performance for the upcoming years(Harrison & Johnson, 2019; POULLIKKA, 2022; Wiggins & Metrick, 2019). Crisis management fund is a separate fund that a company maintains

for handling unwanted and awkward situations. In order to ensure that financial liberalization is successful, according to Hahm (2004), it is vital to enhance banking oversight and banks' risk management. Proper management of fund can support balanced operational activities of a bank, (Hibtiyanti, Q. E. ,2021). A thorough framework of risk management, according to Van Greuning and Iqbal (2008) and Iqbal and Mirakhor (2011), can be used by both conventional and Islamic banks. This claim is strengthened by the results of Hassan (2009). Heath (1998) argued that effective and well-planned crisis management methods were required to avoid or restrict the 'ripple effect,' or external disorder associated with crisis situations, not only within organizations but also between industries (agriculture, tourism). Organizations of all sizes must cope with change at some point during their lives, and all destinations must deal with a calamity at some point (Faulkner, 2001).

Many authors emphasize the importance of crisis management methods, but only a few provide guidance for specific strategies and how they perform as a safety net in times of disaster. According to Kash and Darling (1998), it is no more a question of "whether" an organization will experience a crisis, but rather "when," "what kind," and "how equipped" the organization is to manage with it. And these questions can be somehow answered if an organization maintain crisis management fund.

According to Smallman (1996), managers must shift from the current dominant reactive approach to a proactive, holistic approach for managing chaos and change. Although it is difficult to forecast or handle crises or disasters, managers may nonetheless reduce risk and plan so that they can respond to such situations more efficiently than if they had not prepared. Organizational strategy development can aid organizations and destinations in avoiding or limiting the intensity of fast change brought on by crises or disasters(Carrascosa, 2019; Chang et al., 2022; Majebi & Majebi, 2021; Sidak & Koval, 2018).

Although crisis management is a prerequisite for organizations, according to Kash and Darling (1998), many company executives do not take proactive measures to resolve crisis circumstances. Managers who take proactive measures will be considerably ready to react when crisis strikes their organization or destination(Carrascosa, 2019; Chang et al., 2022; Majebi & Majebi, 2021; Sidak & Koval, 2018).The portion of company's net profit after tax which is distributed among the shareholders is known as dividend and the remaining portion is known as retained earnings. Companies (banking companies) may make some obligatory reserve like statutory reserve, cash credit reserve etc. Retained earnings can also be classified as appropriated retained earnings and un-appropriated retained earnings. When a company

maintains a crisis management fund from its net profit after tax from the very beginning of its inception, it can manage crisis more efficiently than its competitors and others. By managing a crisis fund a company can also hold the satisfaction and loyalty of different stakeholders.

A crisis management fund also helps a company to survive and compete in the future. Many banking companies are now more concern about crisis(Ghibellini, 2021; Harrison & Johnson, 2019; Wiggins & Metrick, 2019). They maintain different types of funds like risk fund, reserve for risk arising from vault, fund for unforeseen loss, dividend equalization fund etc. Deposit, loan, investment and the market share of a bank are the key components for its smooth survival. Overall, these measure the performance of a bank(Ghibellini, 2021; Harrison & Johnson, 2019; Wiggins & Metrick, 2019). These may be affected by any crisis. For protecting these key elements of a bank, it can identify the crisis and make crisis management fund for its smooth survival. Based on the above review and the research questions, the following hypothesis was developed.

H01.There is no significant relationship between crisis management fund and company's survival during any difficulty.

Methodology of the Study

The study is quantitative in nature in which primary data is used to investigate the hypothesis. 33 listed banks from Dhaka Stock Exchange (DSE) are selected as population. From this population 30 banks are selected as sample (sample size determination using Krejcie and Morgan Table). Random sampling technique is used here. The independent variable is crisis management fund (CMF) (Hussain & Al-Ajmi, 2012)and the dependent variable is Company Survival (CS)(Al-Surmi, Cao, & Duan, 2020), is determined based on adapting existing scale.Data has been collected from primary sources through survey questionnaire for conducting the research. Questionnaire was attached in the appendix B

To analyze the data, frequency distribution, descriptive statistics, Pearson correlation and regression analysis were employed. Hypothesis was developed in this regard and the F test was used to test the hypothesis. Data were mainly collected by five points like rt scale which is supported by many researchers. Bar graphs, frequency tables, descriptive statistics are also highlighted in this study. SPSS 21 software was used for statistics calculation.

Findings and Discussion

From the respondents' answers it was found that most of the respondents have completed their master's and have banking diploma degree. The descriptive statistics suggest that the respondents have agreed on the statement that crisis

Table 1: ANOVA Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.683	1	16.683	182.215	.000[b]
	Residual	16.755	183	.092		
	Total	33.438	184			
a. Dependent Variable: CS						
b. Predictors: (Constant), CMF						

Table 2: Summary of Hypothesis

Null Hypothesis	F	P-Value	Result
There is no significant relationship between Crisis Management Fund and Companies' Survival.	182.215	.000	Rejected

management fund is rewarding for companies' survival as the mean for CMF is 4.42 and for CS is 4.44.

The ANOVA test was used to analyze the hypothesis which was illustrated in the literature review. Here, for this study the null hypothesis was that there is no significant relationship between Crisis Management Fund and Company's Survival. From table 9 and 10 below, it was found that the F test result is 182.215 and the p-value is .000 which falls on the rejection region of the null hypothesis. Hence, the alternative hypothesis is accepted since the p-value is .000.

Conclusion

The world is experiencing crisis now and then. For this the companies need to be more conscious for handling crisis. Crisis management fund can play a positive role for this purpose. The study's findings suggest that there is a significant relationship between crisis management fund and company's survival. Crisis management fund has a positive impact on the smooth survival of a company. It is recommended from the study that the name, purpose and use of crisis management fund should be more specific for the banking companies. The banking companies can give more attention for crisis management fund and they should be proactive rather than reactive. Last but not least Bangladesh Bank regulations can be enforced for this purpose.

The academics, industry and policy maker can give a deep attention regarding crisis management fund and its use during any difficulty. Although some companies are maintaining crisis management fund willingly, it can be made mandatory by the industry and policy maker and thus can create a safeguard for the companies. A mixed method can be experienced for conducting this research. Besides, a comparative study with some other countries bank (for example south Asian countries bank like India, Malaysia, Pakistan, Nepal) can be done for investigating whether they maintain any crisis management fund and how they use it. Study of crisis management fund for some other industry like manufacturing, serving, insurance and others can also be done.

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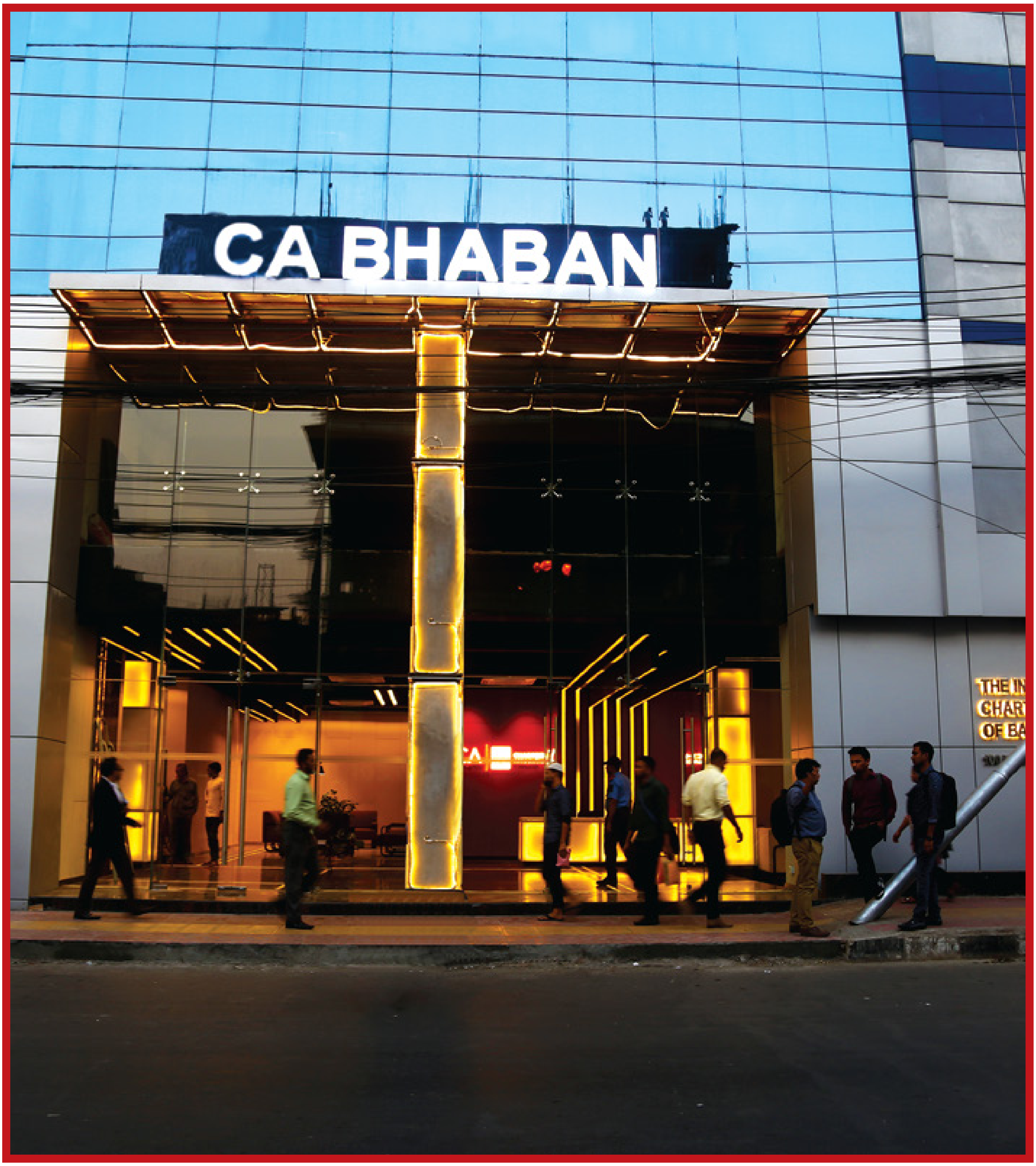

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Recognition of ICAB membership by ICAEW

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).