The Bangladesh Accountant

July - September 2025

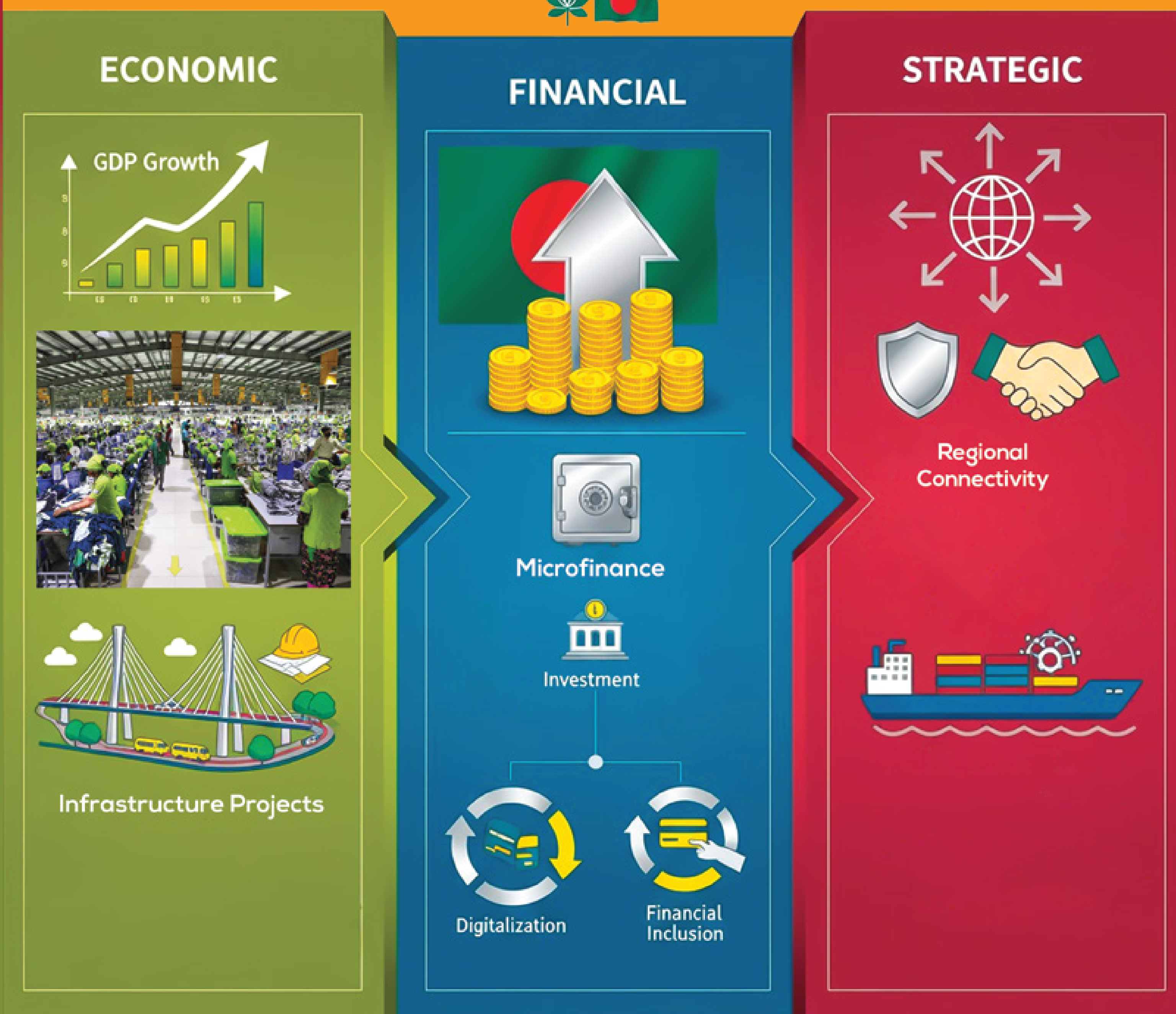
CA BANGLADESH

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

# THE BANGLADESH ACCOUNTANT

Quarterly Journal of the Institute of Chartered Accountants of Bangladesh

## Advancing Bangladesh: Economic, Financial, and Strategic Insights




The Bangladesh Accountant
**Advancing Bangladesh:** Economic, Financial, and Strategic Insights
July - September 2025

**Actuarial Sense**
Actuarial | Accounting | Financial Data

High-graded Actuarial & Financial Consulting Services at Your Doorstep, Try Us.

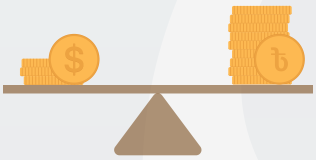
## Comprehensive Actuarial Services

Actuarial Valuations For - • IAS 19 Compliance • Labor Law Compliance • Tax Compliance

IAS 19 Accounting Interpretations of Actuarial Assessments & Relevant IFRSs, Scheme Desigining, Legal Documentation, Life Insurance Product Designing & Statutory Actuarial Valuation with Relevant IFRSs

## Quantitative Financial Analytics

Big Data Analytics, Fintech, FinEngineering

| | | | |
|---|---|---|---|
|  |  |  |  |
| • Accuracy • Prudence<br>• Cutting-Edge Technology | • Cost Balancing<br>• Risk Benefits | • Post Service Benefits<br>• Retirement Planning | • Financial Position & Planning<br>• Financial Coverage |

## Why Choose Us?

- High Quality
- Locally Experienced
- Explained Workings
- Post-Submission Query
- Meeting Tight Deadlines

Address : 102, Shukrabad, Dhanmondi, Dhaka
Contact : +8801 886 420 786
info@ac-sense.com
actuarialsense@gmail.com

For Details Please Visit Us :
www.ac-sense.com

*A powerhouse of Qualified Actuaries, Experienced & Master-Class Financial & Automation Engineers*

## CONTACT US

**CA Bhaban**
100 Kazi Nazrul Islam Avenue
Dhaka 1215, Bangladesh
+88 09609612100
+88-02-9115340, 9117521
880 2 9125266
ceo@icab.org.bd
facebook.com/ca.bangladesh
icab.org.bd

ISSN 1993-3649
doi.org/10.5281/zenodo.17481740

Published by the
Editorial Board of the Council
**The Institute of Chartered Accountants of Bangladesh (ICAB)**

Publication date
**October 30, 2025**

### DISCLAIMER

"The opinions expressed in this publication are those of the respective authors themselves and do not necessarily reflect the views of the Editorial Board of the Institute of Chartered Accountants of Bangladesh (ICAB) or ICAB itself."

**Design & Print**
Dominant Printing & Packaging
M 01794 550916
E alamgir.dominant@gmail.com

## ICAB PUBLICATIONS

ICAB publications include, inter alia, a quarterly journal titled 'The Bangladesh Accountant', half yearly Journal 'Bangladesh Economia' 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.

In half yearly journal, articles focus on macro-economy of the country are published.

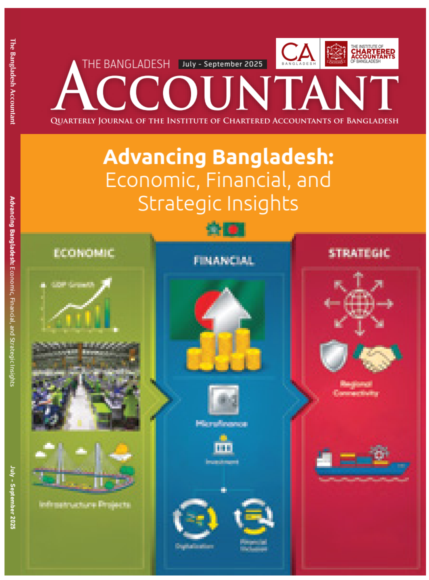
The monthly news bulletin publishes different ICAB events of the month. This bulletin acts as an information hub for the Members to keep up-to-date about ICAB and its activities in addition to these publications, ICAB also publishes books, monographs, booklets and Students' Study Manuals regularly.


*for more details, please visit*
**www.icab.org.bd**

P6

# Contents
July - September 2025





## Digital Highlights

www.icab.org.bd



**News & Events**

**Circular & Notice**

**News Bulletin**

**Journals**

# Editorial

"This issue of the ICAB Journal brings together a diverse range of insights and analyses on Bangladesh's evolving policy and financial landscape. The contributions explore critical themes such as fiscal sustainability, financial-sector reforms, international standards compliance audit, corporate governance, digital transformation, and the growing importance of professional role in sustainable development."

Bangladesh stands at a pivotal moment in both its political and economic transformation. As the nation advances toward graduation from Least Developed Country (LDC) status in 2026 and aspires to achieve upper-middle-income standing, its development priorities call for a forward-looking and well-coordinated approach across economic, financial, and institutional domains. The focus today extends beyond achieving growth itself — toward strengthening resilience, enhancing governance, and ensuring that growth remains inclusive and sustainable.

This issue of the ICAB Journal brings together a diverse range of insights and analyses on Bangladesh's evolving policy and financial landscape. The contributions explore critical themes such as fiscal sustainability, financial-sector reforms, international standards compliance audit, corporate governance, digital transformation, and the growing importance of professional role in sustainable development. Together, they present a comprehensive view of how Bangladesh can navigate global uncertainties while maintaining macroeconomic stability and long-term competitiveness.

Graduation from the United Nations' LDC category, while a mark of economic progress, will entail the withdrawal of several preferential benefits — including trade advantages and development assistance. This shift places Bangladesh at a potential disadvantage in global trade, underscoring the need for a

well-designed Smooth Transition Strategy (STS) to manage the post-graduation period. The government's efforts to strengthen the domestic economy, enhance productivity, and work with international partners to ensure a phased and predictable withdrawal of LDC support measures will be crucial.

To offset the loss of preferential trade arrangements, Bangladesh must improve its global competitiveness by expanding production capacity, reducing transaction costs, and securing greater market access. Effective implementation of the STS — as recommended by the UN Committee for Development Policy (CDP) — will be instrumental in ensuring a smooth and sustainable transition to middle-income status.

Many international development partners are also aligning Country Assistance Strategies (CAS) to support Bangladesh's economic transformation goals. Within this

framework, the role of Chartered Accountants (CAs) becomes increasingly vital. Through their expertise in financial integrity, corporate governance, and tax compliance, CAs play a central role in ensuring credible financial reporting, attracting investment, and strengthening institutional trust — all of which underpin sustainable economic development.

A recurring theme across the contributions in this issue is the indispensable value of professional integrity and accountability in financial management. Chartered Accountants, with their deep technical competence and ethical responsibility, are well positioned to contribute to the nation's governance and reform agenda. Their leadership in advancing audit quality, transparent reporting, and institutional resilience remains central to Bangladesh's long-term development vision.

As Bangladesh continues its journey of reform and modernization, this issue aims to foster reflection, dialogue, and collaboration among policymakers, regulators, development partners, and professionals. Through shared insight and collective commitment, Bangladesh can translate its strategic ambitions into measurable outcomes — ensuring that its growth remains not only rapid, but also responsible, resilient, and inclusive.

**Ala Uddin** FCA
Chairman - Editorial Board and
Council Member - ICAB

# President's Desk

**"For more vibrant role of CAs in the national economy, ICAB is going through a massive reformation process phase by phase to which special attention is now being given to Practice Development, aimed at enhancing the quality of audits conducted by Chartered Accountants holding a Certificate of Practice (COP) from the ICAB."**

The newly elected ICAB Council 2025-2026 has embarked on a comprehensive reform agenda to modernize and strengthen Bangladesh's audit practice and the accountancy profession—many of which are the first of their kind since the Institute's establishment under the Bangladesh Chartered Accountants Order, 1973 ("President's Order No. 2").

Alongside, as part of its priority agenda, the Council has undertaken robust initiatives to make ICAB's publications more reader-friendly and globally adaptive, ensuring that our professional knowledge and experience reach international platforms. This issue of The Bangladesh Accountant focuses on governance, innovation and the evolving professional role of Chartered Accountants, featuring a wide range of articles spanning financial management to policy perspectives—both national and international.

For more vibrant role of CAs in the national economy, ICAB is going through a massive reformation process phase by phase to which special attention is now being given to Practice Development, aimed at enhancing the quality of audits conducted by Chartered Accountants holding a Certificate of Practice (COP) from the ICAB. To that end, ICAB has strengthened its Investigation and Disciplinary mechanisms and is overhauling its Quality Assurance framework to ensure that audits—especially those of Public Interest Entities (PIEs)—are subject to regular and independent oversight.

It is to be mentioned here that since the establishment of the Financial Reporting Council (FRC), ICAB has maintained proactive engagement and extended full cooperation to support its mandate for controlling and regulating the audit profession in Bangladesh. Immediately after assuming office, the new Council met with the FRC and reaffirmed ICAB's unwavering commitment to close collaboration in all areas of mutual concern and national interest.

Of late, ICAB was deeply concerned over the audit ecosystem in Bangladesh. The Institute, however, remains fully aligned with and committed to working hand in hand with regulators—particularly the FRC—to improve audit quality, enhance compliance, and rebuild public confidence in the profession. International clients and investors are heavily dependent on audit reports for their strategic decisions for which credibility is a prerequisite.

As abiding rules, Chartered Accountants in practice follow a structured audit process encompassing planning (scope, objectives, and methodology), risk assessment, fieldwork (testing controls and gathering evidence), internal review, and final reporting. These checklists are sometimes, customized for financial compliance, and operational audits—covering key aspects such as internal controls, regulatory adherence, documentation, and verification of financial data.

We firmly believe that the audited information on financial health and the integrity of an entity are of paramount importance to all stakeholders—including investors, regulators, customers, and management. Timely and high-quality audits, supported by technology-driven methodologies, enable clients to meet regulatory requirements and make informed business decisions with confidence. So, the importance of auditing—both nationally and globally—is undeniable.

ICAB is committed to harnessing the power of automation, data analytics, cloud-based collaboration, regulatory compliance, and continuous auditing to deliver timely and high-quality services. These advancements will further strengthen our professional integrity and our contribution towards national development. Many a firm Bangladesh has already introduced audit software (caseware) for speedy and sophisticated audit at the instance and assistance of the ICAB.

Through our collective efforts, ICAB aims to ensure that Bangladesh's financial reporting framework would evolve in line with international best practices—reinforcing trust, transparency, accountability and good governance across all sectors of the economy. The Bangladesh Accountant is featuring country's economic transition and paradigm shift of professional role.

Warm regards,

**N K A Mobin** FCA
President - ICAB

www.icab.org.bd

facebook.com/ca.bangladesh

# ARTICLES

The Bangladesh Accountant | July - September 2025

CA BANGLADESH

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

# Graduating Least Developed Country Status of Bangladesh
## Difficulties and Ways Forward

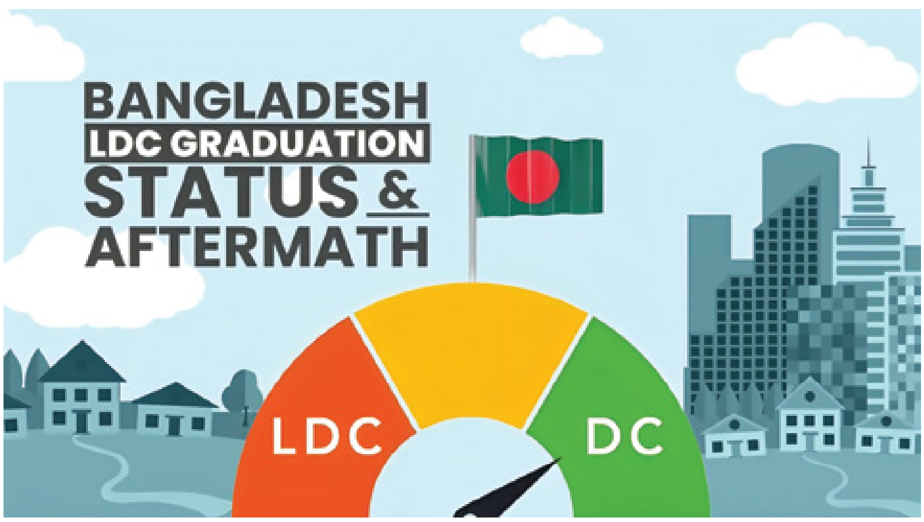
**M Jalal Hussain** FCA

**The Author is a Fellow Member, ICAB**

### Introduction

Bangladesh achieved its independence 53 years back. It's unfortunate that still the country is in the row of least developed country (LDC). Going up the hierarchy of a developing country is the aspiration of all the least developed countries (LDC) around the world. In 2024, 36 countries in Africa and 9 countries in Asia including Bangladesh were designated as LDC by the United Nations (UN). Bangladesh met the LDC graduation criteria of UN twice, one in 2018 and again in 2021. The country is scheduled to graduate from LDC status to developing country status in November 2026. Bangladesh has passed the threshold value of UN, namely, GNI per capita, Human Assets Index and Economic Vulnerability Index (EVI). There are lots of merits and demerits of graduation from LDC status to a Developing Country status.

Progression of Bangladesh's status from LDC to a developing country in 2026 offers plentiful advantages and benefits, including better-quality global image, pride, dignity, reputation, boosted investment opportunities and better entree to international financing. These benefits and advantages will boost the country's increased economic strength and dimensions, making it a more attractive destination for FDI and international lending agencies. Although graduation is a development landmark, the transition gives rise to worries that these LDC may lose access to various international support measures (ISMs) associated with LDC status. Once graduated, they may mislay access to LDC-specific trade preferences, including unilateral




*The article was reviewed by*
***Dr Jamshed S A Choudhury** FCA*

duty-free market access and less stringent rules of origin requirements in major importing countries. In some cases, LDC graduation can also affect concessional development financing provisions. Bangladesh may mislay the Generalized System of Preferences (known as GSP for short) facility from EU countries. However, the implications of discontinuing these and other ISMs are hugely dependent on individual country contexts and likely consequences can't be general.

## Backlashes from Graduation to a Developing Country

### Stopping GSP facility to Garments Industry

Garment industries in Bangladesh will face some problems in EU countries as they will stop GSP facility to Bangladeshi garment industries. Garment industries may face steep competition in EU countries and may miss business opportunities in the future. With the GSP status, Bangladeshi garment products can enter the market duty free. On the other hand, in its absence, it has to pay 12 percent import duties for most products. This status helps decrease the cost per unit of garments, causing the demand to rise. Bangladesh currently enjoys preferential market benefits known as GSP from 38 countries that include duty-free and quota-free export access to World Trade Organization (WTO) partners. With graduation status from LDC, Bangladesh may lose around 14% of its export earnings.

### Stopping Cash Incentives to 49 industries including garments industry

At present Bangladesh Government gives cash incentives to 49 industries to boost production and export. As per WTO regulations, Bangladesh can't pay cash incentives as soon as its status is changed from LDC to a developing country. Stoppage of cash incentives may drastically affect production and export of these industries.

However, there are examples in European Union (EU) countries to continue subsidize their few areas like 'agriculture' based on their negotiation in various WTO rounds bilaterally. There may be opportunities for Bangladesh to negotiate the cash incentive continuation even after graduation from LDC should there be always and Bangladesh can take this opportunity.

"Bangladesh is phasing out cash incentives for the garment sector (RMG) to prepare for graduation from Least Developed Country (LDC) status, which is scheduled for November 2026. These incentives, ranging from 1% to 20% on export earnings, will be gradually reduced and eliminated by July 2026. The government is doing this to comply with WTO rules that prohibit subsidies after LDC graduation. According to the calculations of the General Economics Department of the Planning Commission, the loss of duty-free benefits due to LDC graduation could reduce Bangladesh's export earnings by seven billion dollars." Source: (TEXtalks,com dated May 17, 2025)

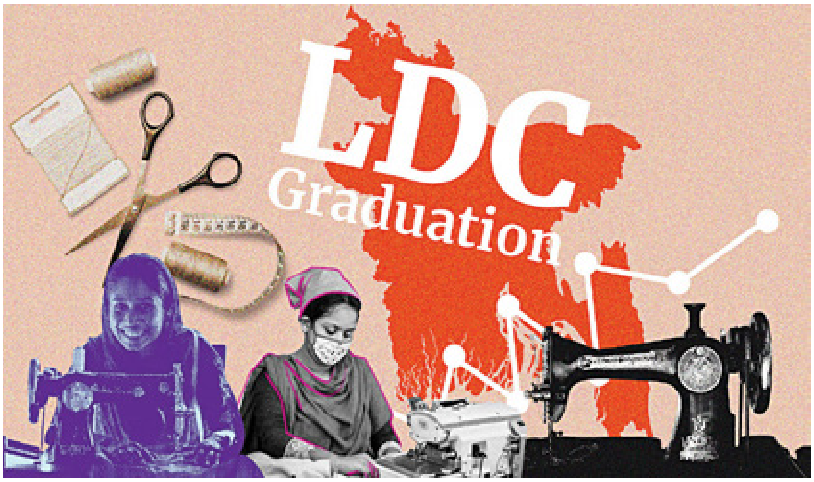
"In a strategic move designed to align with its graduation from Least Developed Country (LDC) status in 2026, Bangladesh has unveiled a plan to cut back on incentives for all export items — a development exporters fear will hurt them fatally". Source: (The Business Standard dated May 17, 2025).

### Higher Borrowing Costs

Bangladesh will face higher costs for foreign loans after graduating from the LDC list. Bangladesh with LDC status, currently receives grace periods and low interest rates on loans from many international institutions. After graduation, the grace period will be reduced, and we will have to pay competitive interest rates, increasing overall costs and an additional burden for Government of Bangladesh (GOB).

### Tariffs on Bangladeshi Products will Go up

Bangladesh will face more challenges from the




competitors in the global export market. The average tariffs on Bangladesh-made apparels will go up by 10-15 per cent while Vietnam, a key competitor, will enjoy duty-free access to markets of Canada, Australia, China, Japan and the European Union. Bilateral and regional free trade agreements and engagement in trade blocks will give Vietnam a competitive advantage.

### Ways Forward

Every problem has a solution. The problems arising from graduation from LDC status to developing country status may be encountered by undertaking the following measures:

### Garments and Other Industries – Alternatives to Cash Incentives

Bangladesh is phasing out cash incentives for the garment sector (RMG) to prepare for graduation from LDC status, which is scheduled for November 2026. These incentives, ranging from 1% to 20% on export earnings, will be gradually reduced and eliminated by July 2026. The government is doing this to comply with WTO rules that prohibit subsidies after LDC graduation.

LDC countries can provide export subsidies, including cash incentives, to boost their trade performance. Once a country graduates from LDC status, these subsidies are no longer permitted under WTO rules. As Bangladesh will have the status of a developing country with effect from November 2026, it can't give cash incentives to enhance export performance. India, China and some other countries who have the status of a developing country have been helping their export-oriented industries to boost up export by paying alternative to cash incentives. India, for example, has been providing some incentives – 30% on land price, 40% on worker payment, and 5% on bank interest. GOB may follow India after becoming a developing country and help exporters by paying land price, workers payment and a certain percentage of bank interest in place of cash incentive.

Bangladesh Bank circular said 43 products or sectors should be eligible for receiving the government's incentive or cash assistance against export earnings in the new fiscal year of 2024-25. After attaining the status of a developing country, GOB may help the above stated 43 sectors by offering financial assistance in the form of wages payment of workers, reduced


*Infographics : TBS*

rate of interest, VAT and so on instead of cash incentives.

### Finding Alternate Markets beyond EU Countries to Compensate Losing GSP Facility

Bangladesh must stride to diversify its export products beyond US and EU countries as it's going to lose GSP facility for garment products. "Historically, Bangladesh has concentrated its trade connections on Western markets, particularly the United States and the European Union, while also strengthening ties with neighboring countries like India and China. Bangladesh may try to sign Free Trade Agreements with other countries to strengthen its trade and economic cooperation in the post-LDC era.

However, trade with Latin America, although still relatively limited, has been displaying indications of growth. This region encompasses a wide array of economies, from the thriving markets of Brazil and Mexico to smaller yet robust economies like Chile and Peru, presenting a vast and largely unexplored market for Bangladesh.

The RMG industry holds a crucial position in Bangladesh's economy, and Latin America represents a new and expanding market for these products. The continent's diverse climate and demographics create a continuous demand for various types of clothing, presenting numerous opportunities for Bangladeshi exporters." (Source: The Business Standard dated May 19, 2025)

### Export Products Diversification

Export products diversification in RMG sector industries can boost export to a great extent. Globally fashion clothing has been moving out of cotton fiber to man-made fiber. On the contrary, Bangladesh apparel industry is known for cotton-oriented fibers. But due to the global increase in the use of synthetic yarn, local spinning mill owners are choosing for investing more in this segment to cut their reliance on cotton yarn to stay competitive in the global market. As part of the transformation, leading spinning mills have started investing in manufacturing synthetic yarn.

BTMA president said "Most of the buyers have been preferring synthetic and mixed yarn-based fabrics for a couple of years. That is why we are investing more to produce this type of yarn." The BTMA President further added that local spinning mills can meet about 80% of the demand of knit yarn and 40% of that for woven yarn while synthetic and mixed yarn are mostly imported from China." (Source: Bangladesh Textile Today)

GOB may provide financial assistances to the manufacturers of synthetic yarn to get quality cotton products that will help diversify and capture export markets in Asia, EU, USA, Canada and Latin America.

## Areas other than Garments and Textile where Exports may be increased

### Semiconductor industry eyes $1b export by 2030, seeks govt backing, policy changes

In a letter to Commerce Adviser SK Bashir Uddin late last month, the new association urged the government to announce a 25% cash incentive for semiconductor service exports, arguing that such support is essential to remain competitive in the global market.

As Bangladesh will not be able to give cash incentive to Semiconductor Industry from November 2026, it may provide financial support by paying workers' wages, lower bank interest, reduce VAT, etc. benefits to boost exports.

### Removing Regulatory Slits and Bureaucratic Steeplechases

Bangladesh continues to scuffle with regulatory inefficiencies and bureaucratic barriers, creating a challenging business environment. The World Bank's Business Ready report ranks the country 29th overall, yet its operational efficiency score (41.46) lags significantly behind Vietnam (72.78), highlighting key obstacles such as lengthy approval procedures, excessive paperwork, and frequent license renewals.

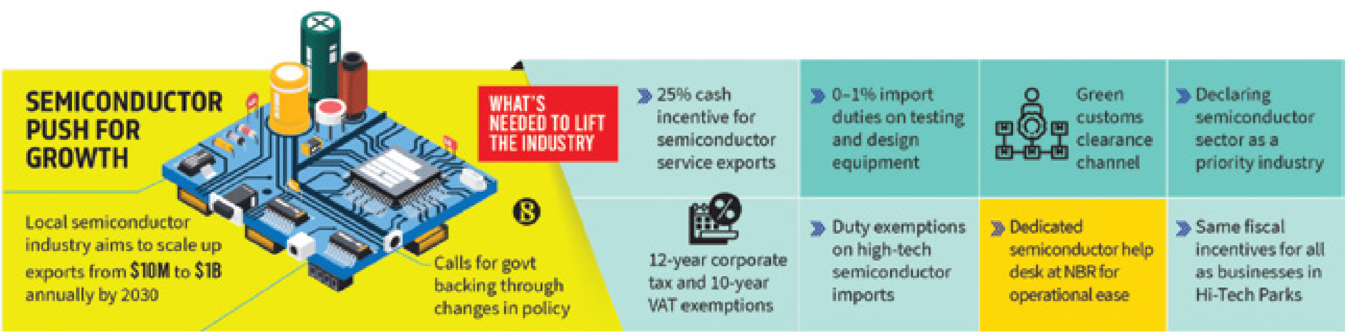
Establishing a business in Bangladesh can take up to six months, whereas the process is considerably quicker in Vietnam (35 days), Indonesia (49 days), and India (60 days). The absence of independent decision-making bodies further exacerbates delays, slowing regulatory approvals and disheartening budding investors. Additionally, business licensing costs often exceed official estimates, imposing financial strain on enterprises. These inefficiencies not only delay business expansion and drive-up operational expenses but also contribute to a decline in investor confidence, ultimately obstructing economic growth. After graduation from LDC to a developing country status, GOB needs to remove the regulatory and bureaucratic steeplechases to survive in the international competitive market.

### Training and Skill Development

Quality of products can be improved by the skilled and trained professionals. Bangladesh lacks skilled and trained professionals and hires a big number of foreign professionals by paying huge amount of foreign currency. GOB, public and private industries should organize training and skilled development programs for their managers and workers. Skill development programs are crucial for Bangladesh as they can boost productivity, ensure quality products, enhance competitiveness, capture international markets and improve living standards.

### Financial Grants for Startup Companies

Many developed and developing countries offer grants for startup companies." German government offered Top 10




*Infographics : TBS*

Government Grants for Startups in Germany in 2025. Germany is a global leader in innovation and entrepreneurship, offering a wide range of government grants to support startups. These grants are designed to foster innovation, sustainability, and economic growth, providing startups with the resources they need to thrive". (Source: Fe/male Switch dated 14 January 2025).

"Bangladesh Bank is planning to set up a dedicated fund of nearly Tk900 crore to provide capital support to startup companies, Governor Ahsan H Mansur announced today (7 April) at the Bangladesh Investment Summit." (Source: The Business Standard, June 02, 2025). The declared Tk 900 crore is very negligible amount to bring rapid investment in Bangladesh. GOB may offer a feasible and substantial grants through its incumbent fiscal budget of Tk 7 lac 89 thousand and 998 crores to startup companies.

## Conclusion

The world is moving at supersonic speed with modern science, innovations and advanced technologies and reached the status of developed country long time back. But Bangladesh has remained stuck in the status of a LDC country for many years. Who are in the LDC group in the 21st century? A big number of African countries that are very poor, backward, unadvanced and undemocratic. Why should Bangladesh stay with them? There's no better performing country in the LDC group. Most of the countries in South Asia have already graduated from LDC to developing country status and some to developed country status.

Bangladesh has many export-oriented industries, it has a big number of professionals, Chartered Accountants, Engineers, Doctors and huge number of skilled workers. This is a democratic country. There's no reason to be in the status of LDC. We should have pride, dignity and self-respect. We have lived as a LDC for many years. We are now in a much better position. It's not fair and justified to stay in the LDC anymore. Politically and economically, it was the right and prudent decision of GOB to graduate from the status of LDC to a developing country by November 2026.

Finally, I want to conclude with the following treasured words of two novelette persons. "Change is hard at first, messy in the middle, and gorgeous at the end." Said by Robin Sharma. "Those who cannot change their minds cannot change anything." Said by George Bernard Shaw.

## References

1. TEXtalks,com dated May 17, 2025
2. Infographics: TBS
3. The Business Standard dated May 17, 2025
4. The Business Standard dated May 19, 2025
5. Bangladesh Textile Today
6. Infographic: TBS
7. Fe/male Switch dated 14 January 2025
8. The Business Standard, June 02, 2025.

# CAs as Catalysts of National Development and Economic Growth

## A Strategic Role in Shaping Bangladesh and Beyond

**Md. Monowar Hossain** FCA

**The Author is a Fellow Member, ICAB and Senior Partner, Chowdhury Shazzad Monowar Chartered Accountants**

*The article was reviewed by* ***Mohammad Moniruzzaman** FCA*

## Abstract

The modern economy considers development in terms of sustainable investment and financial inclusivity, alongside governance efficacy, compliance, and even investment participation, going beyond just GDP growth. Chartered Accountants (CAs) have, as financial professionals and governance specialists, increasingly served as the quiet catalysts of economic development. This article analyses the role of Chartered Accountants in shaping Bangladesh and Beyond. It details CAs' participation in formulating policies, fostering entrepreneurship, ensuring compliance with public finance, the digital economy, ESG reporting, and promoting financial literacy with sustainable development. This article also addresses the barriers and provides actionable steps to enable change for CAs in national development.

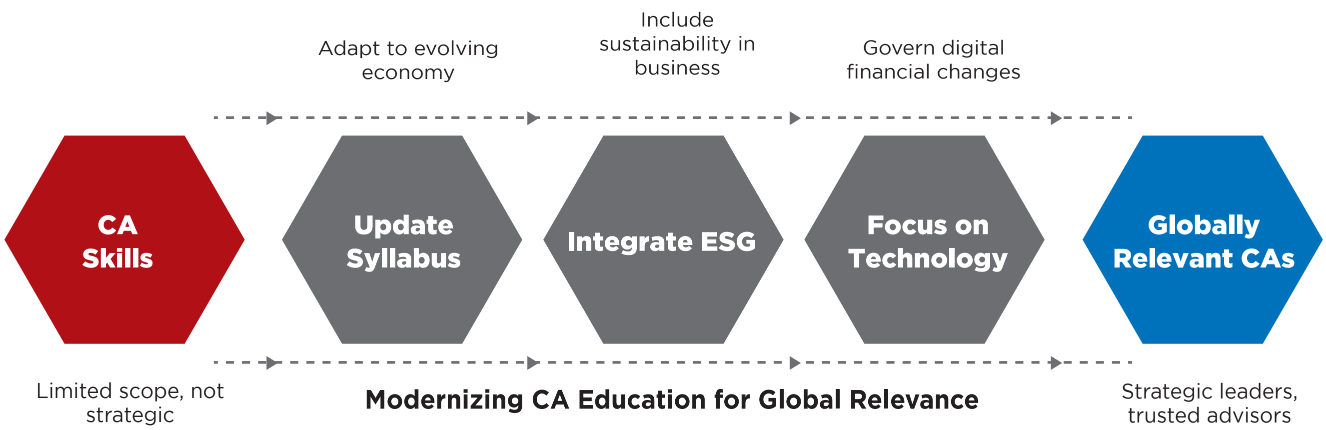
## Introduction

Professional service combining innovation with fiscal prudence is vital to achieving sustainable development and economic self-reliance. Chartered Accountants (CAs) are professionally equipped to drive this change. Besides performing audits and other advisory services, the profession has evolved to embrace governance, strategic leadership, digital transformation, and ethics in finance. We see this shift with Bangladesh. Its ambition to achieve LDC graduation, in addition to having a vision of a one trillion-dollar economy, places a tremendous amount of its financial systems. In this path, CAs are indispensable in all sectors, both public and private. In this article, I assess the global and Bangladeshi economic active contribution of CAs and discuss ways to broaden this impact.

## Chartered Accountants: Evolving Beyond Numbers

Chartered Accountants have dramatically shifted from being viewed as simple number crunchers and ledger keepers to strategic thought leaders and trusted advisors on the international scene.

Unlike the limited scope of financial reporting and auditing, which used to be the main focus, nowadays CAs also participate in strategic financial planning, policy making, enterprise risk evaluation, compliance with laws and regulations, technology governance, and the integration of sustainability into business models, as well as corporate chief executives. CAs of today are leaders in organisational navigation through complex financial, digital, and ESG (Environmental, Social, and Governance) changes. To keep up with this change, global bodies like ICAEW and IFAC




have reformed postgraduate learning pathways to suit the evolving economy. ICAB of Bangladesh is also modernising the education policies to ensure graduates remain relevant and competitive in global markets (already adapted the syllabus of ICAEW).

## Economic Contributions of Chartered Accountants in Bangladesh

### Enhancing Public Sector Governance and Donor Confidence

The public sector in Bangladesh administers large development budgets and donor-supported programs. CAs bring value through public account audit, evaluation of internal controls, and serving as a check that procurement and disbursement of funds are in line with international best practices as well as compliance with the government rules. They are also engaged in public financial management reforms, helping ministries and agencies transition to accrual accounting and electronic financial reporting. International development partners like the World Bank, ADB, and UNDP regularly engage CAs to improve aid program financial accountability. Their input not only boosts transparency but also increases donor confidence and entrenches the foundations of sustainable national development.

Chartered Accountants are increasingly becoming partners in building up public finance management in Bangladesh. With their expertise in budgeting, financial reporting, internal control, and auditing procedures, they are invaluable partners to government agencies as well as public sector institutions. From assisting in the formulation of transparent and accountable budgets to conducting value-for-money audits of development projects, CAs contribute to enhancing fiscal discipline and preventing resource leakages. They also enable donor-funded projects by adhering to international financial standards and reporting templates. Through their collaboration with ministries, regulators, and development partners, Chartered Accountants are building a more robust, transparent, and efficient public financial system. This system supports national development sustainably by enhancing tax compliance and Public Revenue Collection. Effective tax policy implementation requires capable professionals who can demystify complex tax legislation into pragmatic compliance strategies. Chartered Accountants serve this function by guiding corporations and individuals through proper tax return filing, VAT compliance, and legal tax planning. With a changing tax regime due to automation (e.g., e-Return system, electronic VAT platforms and Automated Challan System), CAs are instrumental in filling the knowledge gap and making sure the government's revenue mobilisation agenda is achieved. Their role in managing transfer pricing, tax audits, and dispute resolution again strengthens the taxation environment, directly contributing to national development.

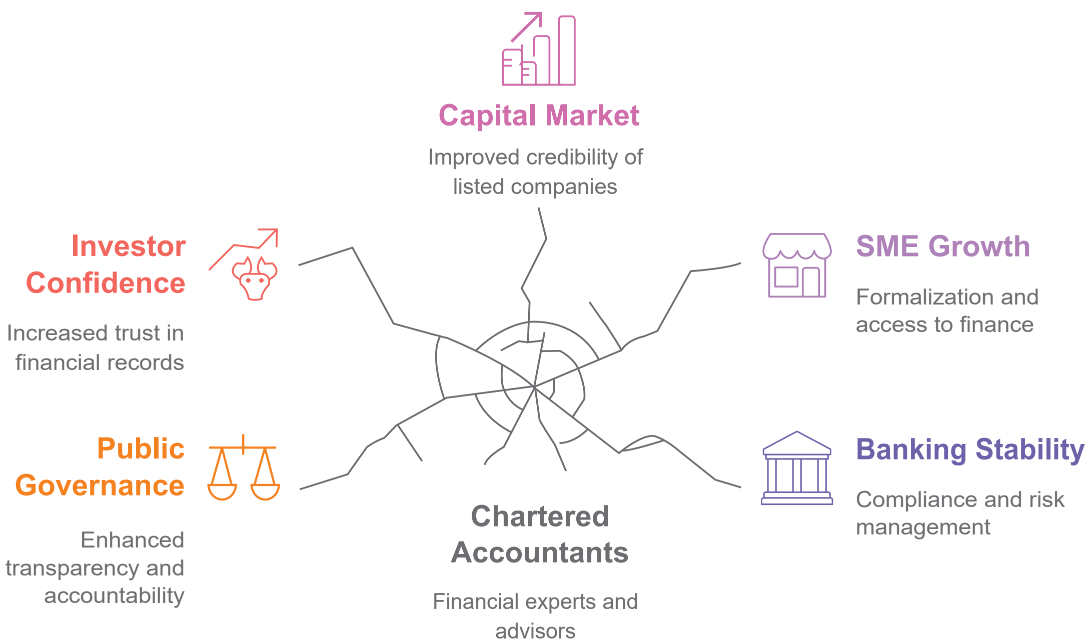
### Financial Transparency and Investor Confidence

Financial transparency is at the heart of an economy looking to generate domestic and foreign investment. CAs of Bangladesh are the primary champions of corporate accountability through compliance with global standards, international financial reporting standards and ethical audit standards. Their independent verification of financial records provides stakeholders with assurance of the accuracy and soundness of a company's financial position. Assurance in such a manner has an important contribution to make to increasing investor confidence, restricting financial misreporting, and building corporate credibility, of special importance to a developing economy like Bangladesh with a vision towards long-term economic robustness.

### Strengthening the Capital Market and Listed Securities

Strength and development of capital markets rely on the credibility and accuracy of information disclosed by listed companies/securities. In Bangladesh, Chartered Accountants play a very vital role in ensuring the financial reporting of Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange PLC (DSE) and Chittagong Stock Exchange PLC (CSE) listed companies under Listing Rules regulations made by Stock Exchanges approved by the Commission such as quarterly accounts, annual auditing of financial

### CAs Impact Bangladesh's Economy



statements, and corporate governance reports. Their work enables investor protection, reduces information asymmetry, and discourages financial fraud. In the process, CAs create a better, more transparent capital market that attracts long-term investments and promotes economic growth.

### Enabling SMEs, Startups, and Financial Inclusion

The SME sector in Bangladesh accounts for about 25% of the GDP and employs more than 7.80 million people. Small-scale businesses often operate informally, without any organised financial systems prevailing. Chartered Accountants enable such companies to become formal, maintain proper books of accounts, prepare bankable financials, and access finance. For startups, CAs offer essential support in preparing investor pitch decks, equity structuring, and implementing cost-effective accounting solutions. As counsellors, they are not only promoting enterprise but also playing a part in the greater goals of financial inclusion and inclusive growth, which are crucial pillars of national progress. Promoting Stability within the Banking and Financial Sector in Bangladesh's highly regulated financial marketplace, CAs are compliance leaders and financial planners. Whether in the role of Chief Financial Officers, Head of Internal Audit, or Risk Officers in banks and NBFIs, they oversee institutions' compliance with regulatory principles set out by the Bangladesh Bank. Their sphere of operation includes asset-liability management, vigilance on non-performing loans, implementation of the latest Basel rules, and stress testing. By being financially conservative, having proper risk management, and ensuring financial disclosures are transparent, CAs ensure the banking system's integrity, a Pillar of national economic growth.

## Challenges Facing the Profession

### Dealing with the Upheaval of Technological Change

The rapid development of new technologies, including artificial intelligence, machine learning, deep data analysis, and blockchain, is revolutionising the traditional role of Chartered Accountants. The old-fashioned bookkeeping, routine reconciliations, and even some facets of simple auditing are being mechanised. The shift, while promising in terms of efficacy, risks becoming a huge challenge to those who have not adapted. To remain connected, CAs must transition to higher-order services, including financial analytics, digital assurance, strategic advisory, cybersecurity auditing, and data governance. Embracing continuous digital learning and integrating technology with core professional procedures is no longer a choice, it's a question of survival and transformation in the new digital economy.

### Withstand Rising Regulatory Complexity

The current regulatory environment is more complex, with constant revisions of securities rules, tax laws, accounting standards, and international compliance standards. Professionals in Bangladesh must continually update their understanding of evolving securities rules, income tax and VAT law, and company law, while also adhering to global standards such as Sustainability Standards, IFRS, ISA, and anti-money laundering (AML) regulations. This makes it all the more necessary to have ongoing professional improvement and up-to-date learning. Chartered Accountants have to invest in keeping current, or risk offering out-of-date or non-compliant counsel. This complexity also brings greater pressure on small and mid-sized firms, which may not have the infrastructure to keep up with these developments.

**Chartered Accountancy Profession: Navigating Critical Challenges**

**Technological Upheaval**

Adapting to digital transformation

**Regulatory Complexity**

Compliance burden is ever-increasing

**Perception Gap**

Limited public awareness, appreciation

**Ethical Pressures**

Maintaining integrity is difficult

### Closing the Gap in Public Perception and Awareness

Although playing a very important role in economic governance, financial discipline, and corporate transparency, Chartered Accountants normally work behind the curtain and fail to be appreciated for their contribution on a wider public and policymaking front. Too frequently, their function is narrowly seen as tax consultants or auditors rather than being strategic advisors to national development. Hence, if this perception is to be altered, the profession needs to take some initiative in thought leadership, public awareness, and media engagement. These professional institutions, such as ICAB and IFAC, can help increase the position and social value of the profession, particularly in emerging economies like Bangladesh.

### Maintaining Integrity in the Face of Ethical Pressures

Chartered Accountants are bound by a strong ethical code, but they usually operate in environments where client pressures, conflicts of interest, or financial incentives challenge these values. In Bangladesh, as elsewhere, CAs may be pressured to overlook irregularities or misrepresent financials to promote client interests. These situations present ethical challenges that can erode individual reputations as well as public trust in the


profession. To combat this, ethics must be firmly ingrained not only through codes of conduct but also through continuous training, peer review, whistleblower protection, and firm-level safeguards. Building ethical resilience is important for safeguarding the integrity and long-term sustainability of the profession.

## Strategic Way Forward

### Developing Digital Literacy Throughout the Profession

As the world economy hurtles towards a digital revolution, the profession of Chartered Accountants remaining relevant in the future hinges on how effectively they embrace technology. Apart from traditional accounting uses, Chartered Accountants today must be proficient in forensic tools of auditing, data analytics, blockchain, and cybersecurity. Professional bodies such as ICAB, in collaboration with international bodies such as IFAC, must be at the forefront in offering structured, forward-looking training programs. Through the inclusion of modules in digital finance, robotic process automation, and IT audit controls as part of the core curriculum, accountants of the future can be equipped with the essential skills and knowledge to thrive and excel in the dynamic digital economy. This investment is not just strategic, it is essential.

### Growing Policy Engagement and National Influence

Chartered Accountants possess a deep understanding of taxation regimes, financial governance, and risk assessment, but their voice is not sufficiently represented in national policy discourse. Involving CAs in public discourse, tax reforms, national budget preparation process consultations, and anti-corruption initiatives can significantly enhance the quality of policy decisions. Their front-line experience of negotiating compliance, regulation, and inefficiencies in the financial system provides real-world perspectives that technocrats and politicians may otherwise fail to notice. Creating opportunities for CAs to support parliamentary committees, regulatory reviews, or think tanks will ensure that the country benefits from their technical expertise in shaping economic and governance reforms.

### Leading Financial Literacy at the Grassroots Level

Bangladesh has made strides in financial inclusion, yet a significant portion of its population, especially in rural areas, still lacks awareness to effectively manage personal or business finances. Chartered Accountants can help change this. By initiating financial literacy movements amongst young people, the unorganised sector, and CAs can empower communities to budget, save, and invest more effectively. Workshops, community seminars, and college/university outreach activities carried out by CAs will not only educate but also bring confidence in the financial system. This groundswell movement can assist in creating a

better-educated citizenry and a stronger economy from the ground up.

### Fostering Diversity and Inclusive Growth in the Profession

The CA profession in Bangladesh must reflect the diversity of the country it serves. Currently, women's representation and geographical inclusivity remain areas of concern. This must be remedied through intentional support mechanisms such as need-based scholarships, mentorship programs for women and rural applicants, and access to digital resources for those beyond urban centres. Promoting flexible training pathways and secure, inclusive workplaces will also convince more women and underrepresented groups to become part of the accountancy profession. As the financial guardians of the nation, CAs need to lead not only with technical proficiency but also with a commitment to inclusiveness and social justice.

### Strengthening International Collaboration and Cross-Border Practice

With a globalised economy, the work of a Chartered Accountant is no longer restricted by geographical borders. Bangladeshi CAs have the potential to work on global projects, serve multinational clients, and engage in international consultancy. To achieve this potential, the professional bodies must pursue mutual recognition agreements, joint research, and global practice rights with other leading institutions. This will allow Bangladeshi professionals to tap into bigger markets, remain updated on global trends, and become more competitive. International cooperation will not only bring the profession to new levels but also consolidate Bangladesh's image as a source of world-class financial expertise. Although institutions have often integrated capacity with mutual understanding, the scope of this integration needs to be much greater.

## Conclusion

In the contemporary fast-evolving economic and regulatory landscape, Chartered Accountants are not at the fringes but squarely at the cutting edge of progress. They are no longer confined to the auditing, back-office roles of book balancing and tax return preparation; they are now front-line architects of economic discipline, strategic growth, and corporate governance. In Bangladesh, their worth is deeply intertwined with the national development process, from strengthening revenue collection and corporate development to ensuring transparency in public spending and retaining investor confidence in capital markets. Globally, CAs are taking an active part in leading the transition to sustainable business models, good governance, and strong digital economies.

As Bangladesh prepares to take its next journey to become a high-income country, the integration and empowerment of Chartered Accountants must be strategic. Their technical expertise, ethical grounding, and analytical mindset render them an indispensable driver of the country's economic ambition. Developing this profession with the patronage of policy, upskilling in the digital space, and cooperation among institutions will not only deepen financial governance but also aid in inclusive, transparent, and sustainable national development. A forward-looking Bangladesh must place Chartered Accountants not merely as compliance professionals but as trusted partners in framing the nation's future.

## References

1. Publications by the Institute of Chartered Accountants of Bangladesh (ICAB)
2. International Federation of Accountants (IFAC)
3. World Bank Public Finance Reports (2022)
4. Bangladesh Economic Review
5. ICAEW Insights on Climate Reporting (2021)
6. ACCA Global Research: CAs and Future of Work (2022)
7. UNDP Report on Financial Inclusion in South Asia (2020)

# Value Partnering by Finance Professionals
## An Industry Perspective

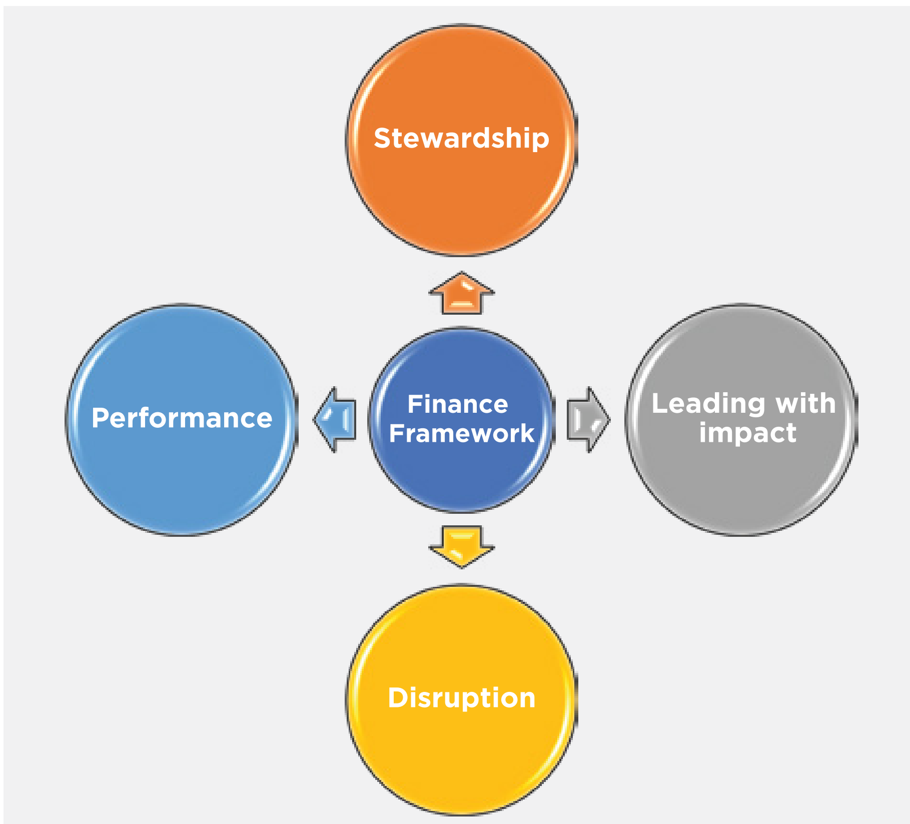
**Md. Mobarock Hossain** ACA

**The Author is an Associate Member, ICAB and Assistant Manager SC Controls & Reporting Unilever Bangladesh Ltd.**

At present, the Finance professionals are no longer confined to the back-office work. They are now active collaborators across functions such as marketing, sales, supply chain, and operations, working together to drive strategic decision-making and enhance overall business performance. Such a shift offers an exciting opportunity for finance professionals to move beyond the numbers, challenge conventional thinking, and embrace the role as true value partners in the business. Here we explore how this integrated, forward-looking approach to finance is helping organizations gain a competitive edge and deliver sustainable business outcomes.

### Evolution of Finance

Finance has evolved beyond its traditional role of control and compliance. It is now a strategic partner embedded across the business, driving performance, enabling innovation, and ensuring sustainable growth. This transformation reflects a broader shift in the finance function—from a transactional role to a value-creating force. The focus is on dual mandate:



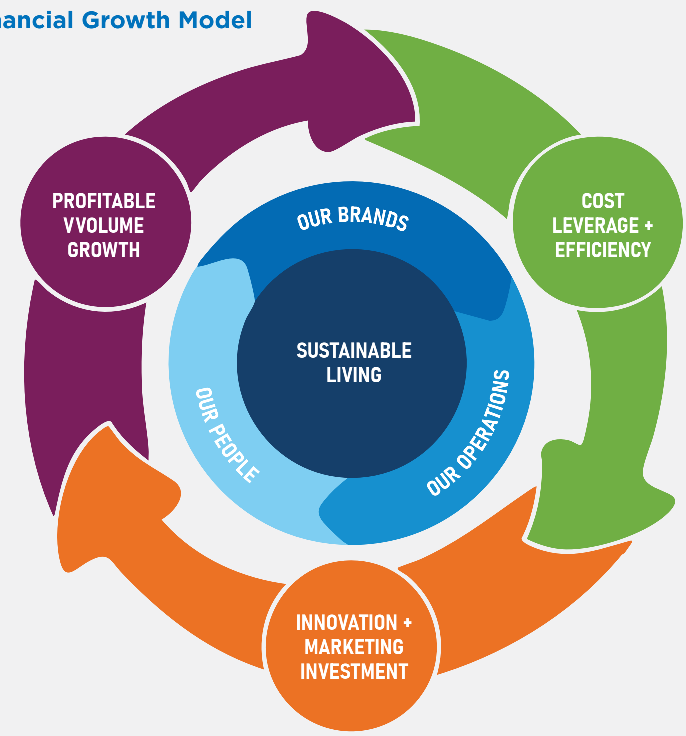

*The article was reviewed by*
***A F Nesaruddin*** *FCA*

value protection and value creation.

The finance profession has evolved alongside the needs of business and society at large. If we look through the lens of the present day, traditional finance has grown into a growth engine. Traditional finance focused primarily on compliance and reporting, treasury management, collection, and payments of a business. From that fundamental role, strategic finance edged toward partnering to enable profitable, competitive, and sustainable growth of the company. Finance has increasingly acted as an economist in businesses navigating through volatile macroeconomic outlooks, helping businesses steer through volatile macroeconomic environments. With the strides of widespread adoption of digital tools and technology, finance has been equipped with AI and machine learning to perform faster, accurate, and precise data analysis.

The finance profession has always attracted talent and developed resources, characterized by a demonstrated behavior of capability, care, and connection. Capability is the courage to express with integrity supported by decisive facts. Care is for self, business, and profession at large. Being connected means staying aware of developments and remaining in context with outside-in insights. All of these lead finance professionals to aspire to a growth journey focusing on what counts to make sharper choices and stay steps ahead.

**Financial Growth Model**




## Value Protection Through Stewardship

Below are the three key pillars of value protection along with their roles.

Controllers: Financial reporting and statutory compliances, treasury management for cash utilization and maximum yields, on-time payment, and creditor balance management.

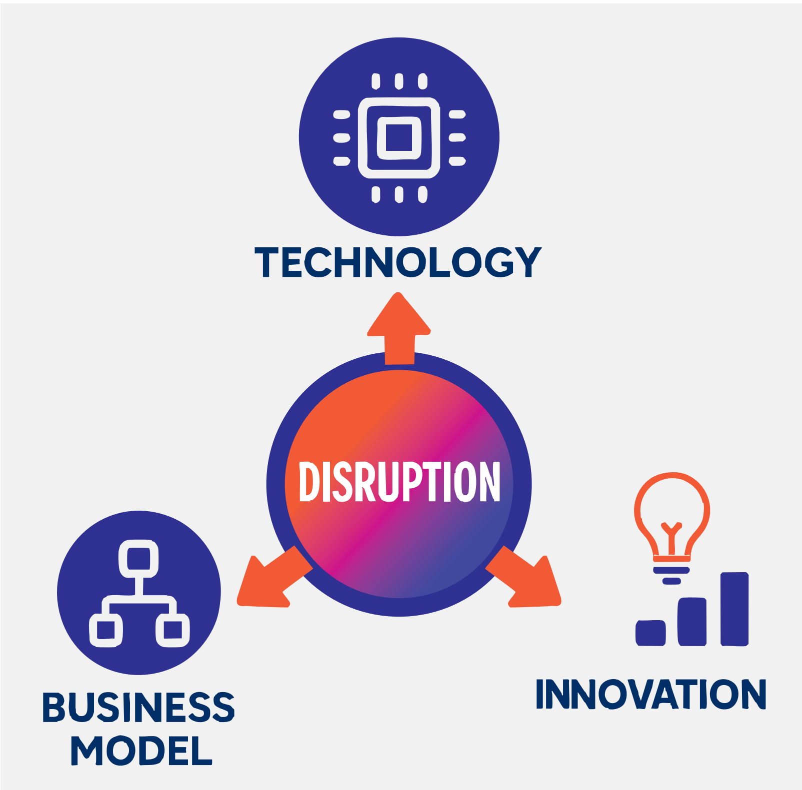
### Tax

Direct and indirect tax compliance and reporting, partner business to remain tax compliant, advocacy engagement with stakeholders.

### Internal Audit

Risk and control assessment, conduct independent process audits, and monitor audit observation closure, partnering with business in process improvement.

Finance continues to uphold its core responsibilities through financial control, accurate reporting, treasury management, and tax compliance. Internal audit functions further reinforce this by ensuring transparency and mitigating risks.




## Value Creation Through Performance and Growth

The role of Finance has expanded to partnering for growth. Finance needs to focus on unlocking cost efficiencies and leveraging scale to fund innovation and strategic investments. Finance plays a key role in identifying opportunities, reallocating resources, and ensuring that every investment of the business, ensuring that decisions are not only financially viable but also aligned with the organization's purpose-led, future-fit strategy.

Finance teams work closely with supply chain and commercial functions to manage costs, forecast raw and pack material needs, and optimize working capital. Through rigorous cost management and capital expenditure planning, finance ensures that operational efficiency translates into strategic flexibility. This enables the business to reinvest in innovation, brand building, and sustainability initiatives.

## Decoding the Business Value Chain

Let's consider a generic end-to-end business value chain that has multiple brands reaching end consumers every day. Starting with the sourcing delivers maximum value. This finance growth model enables the business to grow volumes profitably while maintaining financial discipline. All of these cater to the mandate of value creation.

## Value Creation Through Disruption

Disruptive technology is an integral enabler of capability. Technology plays a vital role in enabling this agility. Modern organizational finance leverages automation, AI, and real-time analytics to streamline operations and enhance decision-making. These tools allow finance professionals to focus on strategic advisory and business partnering.

Finance has the scope to add value through embracing digital transformation with tools like automation, AI, and real-time analytics. These technologies enhance agility, improve forecasting accuracy, and enable faster, data-driven decision-making. Data powerhouses, i.e., Power BI and innovations in trade finance, give real-time insights as well as mitigate process risks.

## Evolved Finance: Driving Performance, Innovation, and Sustainability

At modern organizations, finance is embedded across the entire value chain, acting as a strategic partner from sourcing to shelf. This integration allows finance to partner at every stage of material, moving to multiple manufacturing sites for production, and then finished goods are delivered to distribution centers from where customers are served across the country. Strength of brands defines the agility in the market, led by strong business teams supported by finance partners.

## Performance Cycle from forecasting to Execution

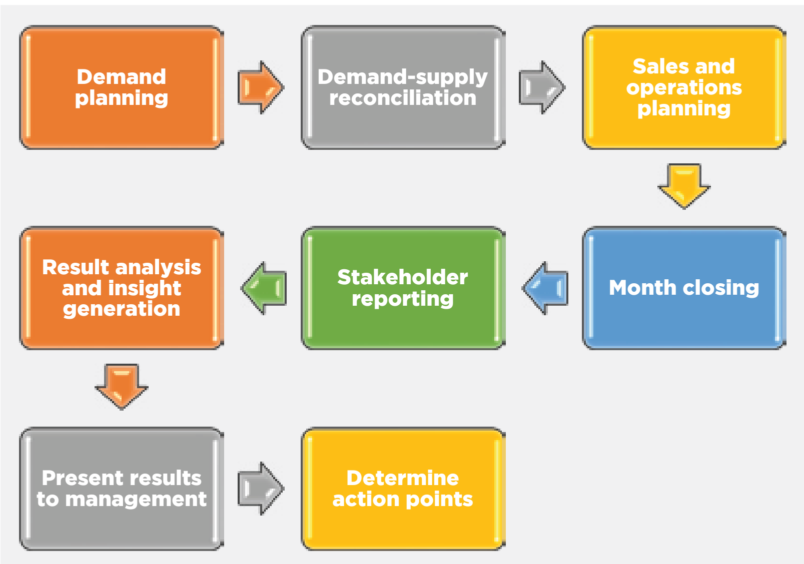
Performance management at a growth-seeking organization is driven by a simplified, insight-rich view of the profit and loss (P&L). Rather than focusing solely on financial outcomes, finance teams analyze the underlying value drivers—such as pricing, product mix, cost of goods, and brand and marketing investments—to shape business decisions. This approach enables sharper forecasting, agile planning, and clearer accountability across functions.

The performance cycle is continuous and dynamic, moving from forecasting and planning to execution and review. Finance partners this cycle, ensuring that the business remains responsive to market changes while staying aligned with long-term goals. Importantly, this cycle links profitability with cash flow and investment decisions, creating a holistic view of financial health and strategic opportunity.

The performance management cycle consists of a monthly growth plan and a quarterly growth plan. From forecasting to reporting, below are the key steps of the cycle.

## Planning for Tomorrow

Planning inputs from respective stakeholders are critical for a comprehensive view of forecasted P&L. P&L is presented to management for feedback and further action points. Key lines for input and respective stakeholders are:




## From Reporting to Driving Performance

Businesses must leverage three main sources of funds - supply chain efficiencies, return on investment, and overhead management. To have a clearer view of performance, simple P&L needs to be broken down into the levers of business.

## Understanding Performance to Create Future Value

Let's break down performance analysis with value drivers (All numbers are demo numbers):

**Growth Drivers -** Sales growth is a function of price growth and volume growth.

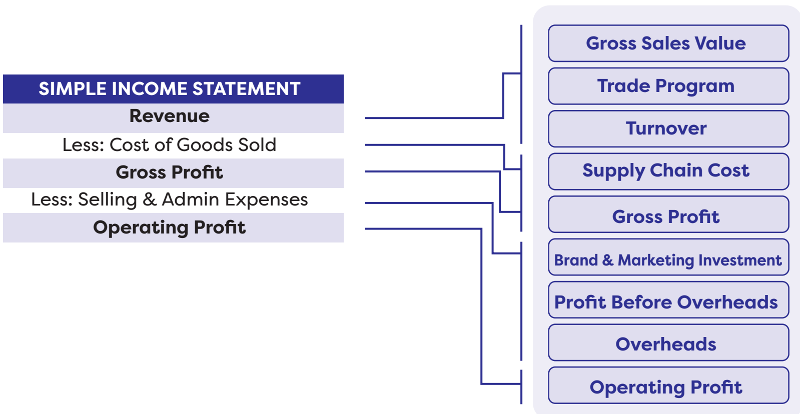
**Trade Terms -** Discounts the company gives to drive customer and sales growth.

**Mix -** Driving the portfolio mix is an important enabler of profitability.

**Supply Chain Costs -** Material cost (raw material, pack material, bought-in cost), non-material supply chain cost (production, distribution, business waste, supply chain overheads).

**Brand and Marketing Investment -** Activities to build and maintain brand image comprising asset creation, asset

| Stakeholder | Input |
|---|---|
| Planners | Volume |
| Business team and finance partners | Pricing |
| Channel team and sales finance team | Trade activities |
| Procurement and material control | Material forecast |
| Supply chain finance | Supply cost |
| Factory finance | Production cost |
| Marketing and brand finance | Brand and marketing spend |
| General management and overhead control | Overheads |




deployment, promo, point of sale, and shelf visibility.

**Overheads -** Costs that cannot be directly attributable to a product or process, comprising salaries and bonuses, research and development, travel and expenses, office rental, and professional services.

## Driving financial growth model through business finance

Business finance delivers financial growth with four key interventions below.

**Business Strategy Development:** Co-create strategy with business for short and long term to build a future-fit portfolio, pricing strategy, brand, and marketing investment plans.

**Driving Business Performance:** Overall revenue management through trade spend appraisal, mix improvement, and price tier structuring.

**Optimizing Gross Margin:** Driving savings at multiple fronts, i.e., Material, product, production.

**Decision Support:** Supporting different business development initiatives and innovations with business case, execution, and post-launch evaluation.

## Sales Finance Partnering Front-liners

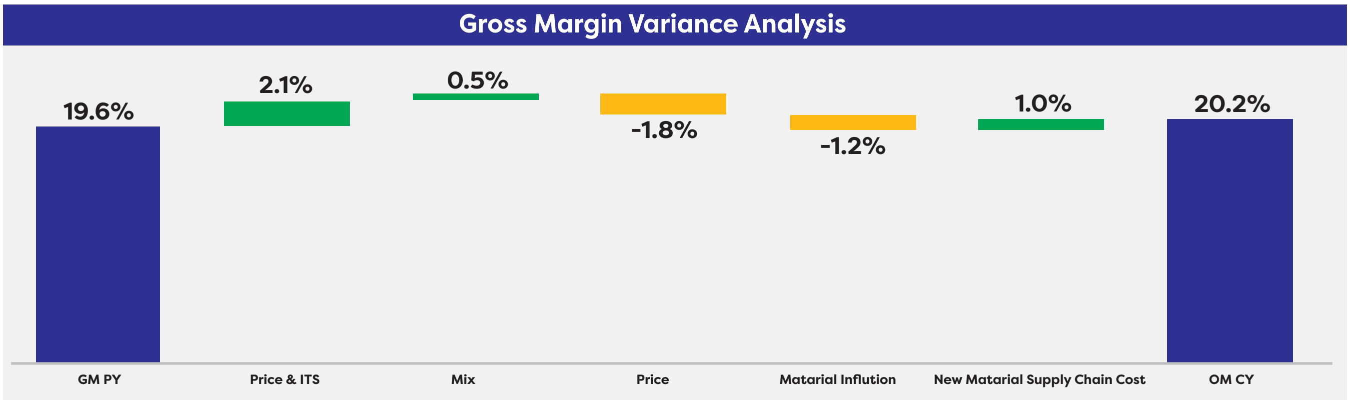
Sales Finance plays a critical role in commercial effectiveness. It supports trade investment decisions, develops robust business cases, manages distributor profitability, and oversees credit and claims processes. These activities ensure that companies' go-to-market strategies are both competitive and profitable. There are four key pillars of value driven by sales finance as follows:

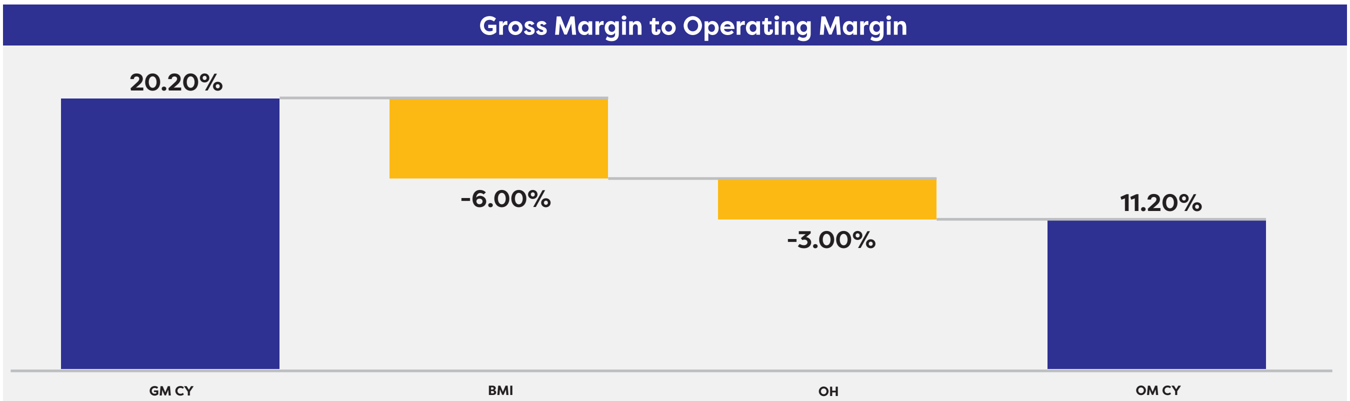
**Trade Management:** Partnering on promotion planning, management, and evaluation through monthly review to ensure correct cost reflection, assessment of effectiveness, and adjusting the rest of the year plans accordingly.

**Partnering on Projects:** Partnering key projects, along with driving finance projects through business case preparation and end-to-end model development, along with quarterly evaluations.

**Distributor Hygiene and Profitability:** Business modelling, cost review, and business compliance through periodic review of profitability and monthly compliance check to drive actions with the field team.

**Cash, Credit, and Claim Management:** Drive financial discipline at the front-end through ensuring timely




collections and claim payments, no overdue, and dynamic credit support.

## Supply Chain Finance Partnering Business Operations

There are six key pillars of value driven by supply chain finance as follows:

**Material Forecasting and Costing:** Ensure unbiased forecasting and accurate costing of materials through review of price and cost variance, trends, wastage, and in-transit stock.

**Savings:** Drive savings across cost drivers per savings governance through driving and reviewing product, procurement, production, and distribution savings per ambition.

**Non-material Supply Chain Cost:** Forecasting and reporting of production, distribution, obsolete stock, and overheads through monthly cost review for business impact and stretched targets.

**Working Capital Management:** Strategic management of working capital through ensuring an optimized level of inventory, debtors, and creditors.

**Capital Expenditures:** Evaluate CAPEX projects and ensure fixed asset governance through business case prep and end-to-end project partnering.

**Data Capability:** SCF cloud, labor dashboard, and BW HANA empower insights through dashboard and use of automations enable the team to partner with agility.

## Sustainability is at the Core of the Value Chain

Sustainability is deeply embedded in the company's financial strategy. Finance plays a critical role in advancing core sustainability pillars, i.e., climate, nature, plastic, and livelihood. By embedding sustainability metrics into financial planning and performance tracking, finance ensures every decision supports a broader commitment to responsible growth. The key roles of finance regarding broader sustainability are:

- Analyze and support investment decisions.
- Ensure governance around sustainability initiatives for value effectiveness.
- Prioritize business cases that achieve both financial and sustainability objectives.

## Fostering Talent with Future-fit Capability

Finance skillset playbook focuses on below four key areas.

**Organizational Knowledge -** Business and category understanding, financial enablers, brand, market, and media insights.

**Functional Knowledge -** Accounting and finance fundamentals, control and risk management, value levers understanding.

**Technical Knowledge -** Microsoft Office and Power BI, ERP (SAP, HANA), other functional apps/software.

Soft skills - Communication and negotiation skills, stakeholder management, leadership skills.

## Conclusion

As the function of finance evolves from traditional methods to becoming a growth partner, finance must play a dual role in both value protection and value creation. The increasing importance of finance lies in being forward-looking and partnering to unlock opportunities, with sustainability at the core of actions. Embracing innovation, leveraging technology, and co-creating strategies are essential. Continuously investing in future-fit talent is vital for the evolved role in finance.

To deliver on this ambitious agenda, progressive companies are building a future-fit finance team. This means equipping professionals with digital fluency, strategic thinking, business acumen, and the ability to tell compelling stories with data. Finance at future-oriented organizational structures is not just about numbers—it is about being a strategic value creation partner, driving sustainable growth through stewardship, performance management, innovation funding, and technology-led decision-making.

## References


1. “Accounting is the language of business” - Warren Buffett
2. “Accounting is the art of turning chaos into clarity and confusion into financial wisdom.” - Michael Carter

# Bangladesh's IFRS 9 Moment

## Driving Governance and Strategy Through Expected Credit Loss

**Sk Ashik Iqbal** FCA

**The Author is a Fellow Member, ICAB and Partner, Nurul Faruk Hasan & Co. Chartered Accountants (Deloitte Bangladesh)**

*The article was reviewed by* ***Mahbub Ahmed Siddique** FCA*

### A Standard Meets a Struggling Sector

The introduction of IFRS 9 in Bangladesh comes at a time when the country's banking sector faces extraordinary challenges. Non-performing loans remain stubbornly high, capital buffers are thin, and confidence is fragile. At the same time, regulators are pressing forward with global standards to bring discipline and transparency.

For many banks, the shift from the old incurred loss model to the expected credit loss (ECL) framework is not merely a compliance issue. It is a survival test. Unlike large international institutions with decades of credit data, most banks are implementing IFRS 9 with patchy information systems, limited modeling expertise, and strong regulatory oversight.

The opportunity is clear: done well, IFRS 9 can restore trust, improve provisioning discipline, and force better governance. But the risks are equally real: weak models, inconsistent default definitions, or poorly designed scenarios can add confusion instead of clarity.

This article draws on technical lessons and practical debates—spanning model discriminatory power, scenario design, lifetime PD estimation, KPI monitoring, and the role of judgment—to highlight what Bangladeshi bank leaders, regulators, and auditors must prioritize.

When the International Accounting Standards Board introduced IFRS 9, the aim was clear: move banks from a backward-looking incurred loss approach to a forward-looking expected credit loss (ECL)

framework. Globally, this was a step toward more resilient banking systems.

But the implementation story is uneven. In advanced economies, banks had robust datasets and sophisticated risk teams. In emerging markets—Bangladesh is a prime example—the shift came at a time of sectoral stress. Non-performing loans are elevated, capital buffers are thin, and trust in governance is fragile.

This juxtaposition—global ambition meeting local constraint—makes Bangladesh a useful case study for understanding both the promise and pitfalls of IFRS 9.

## Discriminatory Power: Separating Signal from Noise

Globally, a bank's models are judged by their ability to distinguish good borrowers from risky ones. This "discriminatory power" is measured by metrics like Gini or AUC. Without it, provisioning numbers lose credibility.

In Bangladesh, many banks lack long historical data, making robust testing difficult. In many jurisdictions regulators have stressed the need for banks to supplement weak data with expert judgment, but this opens the door to inconsistency.

Leadership lesson: Don't accept technical comfort without asking the board-level question: "Can our models genuinely tell good credits from bad ones, or are we relying on hope?"

## Methods of ECL Calculation: Horses for Courses

The global formula is elegant:

ECL=PD×LGD×EAD

Banks use different methods for ECL calculation depending on their capabilities. Sophisticated banks generally rely on statistical or machine learning models to estimate credit risk, while mid-sized institutions often combine quantitative analysis with expert judgment and management overlays to refine their expected loss estimates

The strategic takeaway: model selection must match institutional capacity. Over-engineering with poor data may comprise quality adversely.

## Scenarios: The Achilles' Heel of ECL

IFRS 9 insists on incorporating forward-looking macroeconomic scenarios. Globally, banks debate the right balance between optimism and pessimism.

In Bangladesh, a key challenge is the availability of consistent macroeconomic forecasts for ECL calculations. When the central bank issues its guidance on ECL in January 2026, it may specify approved sources for macroeconomic data, which could include the IMF, World Bank, or other government-endorsed agencies.

Still, the leadership questions are universal:

- Are we double-counting risk (e.g., including both GDP and unemployment when they are correlated)?
- Are we capturing the non-linear reality that downturns hurt disproportionately?
- Do the assigned scenario weights have governance backing, not just technical logic?

## The Weighted ECL in Practice

Consider this illustration of Expected Credit Loss (ECL) under different macroeconomic scenarios:

- Upside: 0.6
- Base: 0.9
- Downside: 2.4

Weighted at 20–60–20, the final ECL is 1.14.

This math works in London as well as in Dhaka. The governance challenge is the same: Why these weights? What if reality is harsher?

In Bangladesh, where economic volatility is more pronounced,


boards should push risk teams harder on downside plausibility.

## Lifetime PD: The Global Headache

Lifetime Probability of Default (PD) estimation is tough everywhere. Globally, banks use survival models, cohort analysis, or extrapolation.

In Bangladesh, lifetime PD is especially fraught. Historical data is short, defaults are often under-reported, and many banks have weak credit risk systems. In this context, the phased implementation approach outlined by Bangladesh Bank in BRPD Circular Letter No. 3 dated 23 January 2025 is especially practical.

Here's the leadership pivot: don't let lifetime PD become a black box. Even with limited tools, management must understand the assumptions shaping multi-year forecasts.

## Modeling Clarifications: Common Stumbling Blocks

Across markets, certain modeling clarifications surface repeatedly:

- Default clusters can skew calibration.
- Overlays are necessary but risk becoming excuses for weak models.
- Linear assumptions often understate downturn impacts.

In Bangladesh, overlays may be commonly applied, occasionally masking underlying credit weaknesses. Regulators and auditors will need to exercise increased skepticism and require clear, thorough documentation of all judgmental adjustments.

## Monitoring KPIs: Beyond Compliance

Globally, banks monitor discriminatory power, back-testing accuracy, and migration ratios. The strongest institutions treat these as strategic dashboards, not compliance checklists.

In Bangladesh, monitoring discipline is often weaker, with reports prepared mainly for regulators rather than boards. The missed opportunity: these KPIs can provide early-warning signals in a fragile system.

## The Default Definition Problem

The global standard ties default to 90 days past due, but IFRS 9 allows rebuttable exceptions.

In Bangladesh, banks may face pressure from clients or political stakeholders, which can lead to operational definitions that diverge from regulatory expectations. This can undermine both provisioning accuracy and stakeholder confidence.

Global lesson, local case: default definitions must be harmonized. No shortcuts.

## Rebutting 90 Days: A Cautionary Tool

Globally, rebuttals apply to cases like government-guaranteed loans or technical delays.

In Bangladesh, the temptation to overuse rebuttals may be high. With NPL ratios already elevated, excessive rebuttals can undermine credibility with both auditors and the public.

Best practice: treat rebuttal as a rare, defensible exception, not a loophole.

Globally, the most advanced banks use cutting-edge statistical models. But sophistication isn't always best. The right choice depends on data quality, regulatory expectations, and portfolio mix.

## When Standardization Masks Risk: Rethinking ECL Approaches

While template-based standardized approaches provide a pragmatic starting point, they come with significant limitations. Such templates often rely on broad, static assumptions that may not reflect the actual risk profile of individual banks or specific loan portfolios. This can lead to both over- and under-provisioning, particularly when economic conditions change rapidly. Relying solely on templates may also create a false sense of security, reducing the incentive for banks to critically assess assumptions or incorporate forward-looking factors. Without careful documentation of any adjustments, governance, audit oversight, and transparency can be weakened. Ultimately, while templates help ensure baseline compliance, they cannot substitute for robust, portfolio-specific risk assessment and model-based ECL calculations."

## South Asia's Approach to Credit Risk and ECL: Guidelines from Central Banks

### Central Bank of Sri Lanka

Reflecting on South Asia, the Central Bank of Sri Lanka (CBSL) provided a comprehensive roadmap for licensed banks adopting the IFRS 9 equivalent which is SLFRS 9: Financial Instruments, balancing regulatory rigor with local pragmatism.

Scope and ECL Calculation: Banks must calculate expected credit losses (ECL) for financial assets measured at amortized cost or FVOCI, loan commitments, financial guarantees, lease receivables, and contract assets. Lifetime ECL is required when credit risk increases significantly, while 12-month ECL applies when risk remains stable. Collective assessments are allowed when borrower-specific data is limited.

Probability of Default and Loss Given Default:

Historical Data Requirements: Banks must use at least five years of historical data to calculate PDs, with any smoothing of inputs validated by the Risk Management Department. Proxies are


generally not permitted, except for newly incorporated banks lacking sufficient history.

Minimum LGD for Data Gaps: Where data is insufficient to compute LGD, a minimum LGD of 45% must be applied. Special rules exist for certain exposures:

1. Cash-backed loans in the same currency with a haircut over 10% can use an LGD of 0%, subject to regulatory conditions.

2. Foreign currency sovereign exposures should use a sovereign PD based on external credit ratings, with a minimum LGD of 20%.

3. Government-guaranteed exposures can apply LGD of 0% if fully covered and reported as government liabilities; other forms of guarantees must have LGD calculated, with a minimum of 20% for foreign currency exposures.

These minimum standards ensure that banks adopt consistent, prudent approaches to PD and LGD, providing a baseline for risk-sensitive provisioning while maintaining flexibility for bank-specific portfolios and sovereign or government-guaranteed exposures.

Collateral and Valuation: Expected cash flows from collateral should reflect the latest reliable market values and account for uncertainty in distressed liquidations. Any increases in valuations must be substantiated with credible evidence.

Staging of Credit Facilities: Banks must categorize exposures into three stages:

- Stage 1: Performing loans with no significant risk increase.

- Stage 2: Loans over 30 days past due subject to rebuttable presumption, restructured up to twice, or under-performing.

- Stage 3: Non-performing exposures, loans past 90 days due subject to rebuttable presumption, repeatedly restructured, rescheduled, or classified as non-performing by CBSL.

Significant Increase in Credit Risk: Banks must consider payment delinquencies, rating downgrades, adverse economic forecasts, collateral deterioration, litigation, management instability, and material declines in financial performance or net worth.

Governance, Models, and Upgrades:

- Banks must develop robust, portfolio-specific ECL models, validate them regularly, and ensure staff competence.

- Stage upgrades require independent assessment by Risk Management, Board-approved policies, documentation, and minimum performance periods for restructured/rescheduled loans.

- IRB credit ratings can only be used if mapped to pricing, backed by five years of data, and independently reviewed.

Economic Factor Adjustments: Forward-looking forecasts from CBSL, IMF, World Bank, or other credible sources must be applied consistently, with

Board-approved policies preventing selective use.

Strategic Implication: CBSL's guidelines aim to enhance transparency, strengthen governance, and standardize credit risk practices, providing banks with a disciplined, data-driven approach to ECL while allowing flexibility to reflect their own portfolio characteristics. This framework serves as a useful benchmark for other South Asian central banks navigating the challenges of implementing IFRS 9 standards.

Staggering Impact on Capital Adequacy:

When banks adopt SLFRS 9, the shift from the old incurred loss model often increases credit loss provisions. This sudden increase can put pressure on a bank's Capital Adequacy Ratio (CAR). To ease this transition, and following Basel Committee guidance, the Central Bank of Sri Lanka allowed banks to phase in the first-day impact of SLFRS 9 on CAR over four years.

Instead of absorbing the full impact immediately, banks were allowed to include it gradually in CAR calculations as follows:

1. 01 Jan 2018: 12.5% of the impact
2. 31 Dec 2018: 25%
3. 31 Dec 2019: 50%
4. 31 Dec 2020: 75%
5. 31 Dec 2021: 100%

This approach ensures banks can comply with Basel III capital requirements while avoiding sudden capital stress from adopting SLFRS 9.

### Nepal Rastra Bank

Nepal Rastra Bank requires banks and financial institutions to adopt the Expected Credit Loss (ECL) model under NFRS 9, emphasizing forward-looking and timely credit loss recognition.

This Standard applies to financial assets at amortized cost, FVOCI, lease receivables, contract assets, loan commitments, and financial guarantees (except FVTPL).

Key Principles:

- Use reasonable and supportable data, including past, current, and forecasted economic conditions.
- Incorporate forward-looking information to capture potential deterioration in credit quality.
- Ensure sound governance with BoD-approved policies, model validation, and clear responsibilities.

Significant Increase in Credit Risk: Indicators include overdue payments, PD doubling, credit rating downgrades, restructuring, macroeconomic impacts, or collateral deterioration. Both qualitative and quantitative factors should guide staging and ECL measurement.

12-Month vs Lifetime ECL:

- 12-month ECL for low-risk or stable exposures.
- Lifetime ECL for exposures with significant credit risk increase or credit-impaired assets.

Objective: Enhance credit risk management, transparency, and resilience while ensuring uniform and prudent provisioning across banks.

Probability of Default (PD):

- PD estimates the likelihood of a borrower defaulting over a given horizon.
- Banks should derive PD using at least five years of historical data, internal and external ratings, and forward - looking macroeconomic adjustments.
- Internal ratings can be mapped to external ratings, but proxies should generally be avoided.
- For foreign sovereign exposures, PD should link to the sovereign's external credit rating.

- A prudential floor of 2.5% PD applies as a regulatory backstop, subject to periodic review.

Loss Given Default (LGD):

- Banks should develop LGD models based on historical recoveries, collateral realizations, costs, and forward-looking information.
- If historical data is insufficient, prudential floors or board-approved minimums (45%) are applied.
- Special cases:
- Cash-backed loans in the same currency with ≥10% haircut can have LGD of 0%, if legal possession is enforceable.
- Exposures guaranteed by the Government of Nepal can have LGD of 0%.
- Subordinated claims on corporates, banks, or foreign sovereigns require a minimum 75% LGD.
- LGD assumptions must be validated and back-tested regularly; proxies should generally be avoided

EAD is the expected exposure to a borrower at the time of default, and its calculation depends on product type.

- It must be forward-looking, aligned with when default may occur.
- Models should compute credit conversion factors (CCF) for off-balance sheet items using historical and forward-looking data.
- EAD includes all outstanding and off-balance sheet exposures, adjusted for contractual cash flows.
- For closed-end loans, EAD is capped at the maximum contractual period.
- For revolving credit (OD, CC, credit cards), exposure period may exceed the contractual period if historical data and experience support it; BFIs must document this.
- If data is unavailable, BFIs may apply regulatory CCF to off-balance sheet exposures.

## Reserve Bank of India

RBI proposed moving from an incurred loss model to an expected loss-based approach for provisioning on loan exposures. This applies to banks (loans, irrevocable commitments, HTM and AFS investments). RRBs and smaller co-ops may be exempt.

Framework:

- Assets classified into Stage 1, Stage 2, Stage 3 based on credit losses, with provisioning accordingly.
- Banks may design their own ECL models but must follow RBI's principles and broad guidance (aligned with IFRS 9/BCBS).
- Models must be independently validated, back-tested, and free of bias.
- Provisions will be subject to an RBI-specified prudential floor.

Disclosures: A set of mandatory (non-exhaustive) disclosures will be prescribed.

Transition: Banks will be given sufficient time; capital impact can be phased over five years as per Basel norms.

## State Bank of Pakistan

In Pakistan, the State Bank of Pakistan (SBP) has mandated the shift from the traditional incurred loss approach to the Expected Credit Loss (ECL) model under IFRS-9. Large banks and all Development Finance Institutions (DFIs) were required to adopt this framework from January 2023, while other banks and microfinance institutions follow from January 2024. To ensure a smooth transition, SBP required a period of parallel reporting, where banks and DFIs submitted both incurred-loss and ECL-based reports. This allowed SBP to assess the capital and profitability impact, while giving institutions time to refine their models.

The SBP expects financial institutions to exercise prudent judgment when applying IFRS 9's Expected Credit Loss (ECL) framework. Management decisions must be based on reasonable, supportable assumptions and must avoid any bias that could understate impairment levels. While the shift to ECL requires significant investment in systems and resources, SBP has provided ample transition time and therefore expects a robust, high-quality implementation across institutions.

ECL methodologies must be proportionate to the size, complexity, and risk profile of each financial institution, with due attention to materiality. Cumulative exposures should be considered, even where individual exposures appear small or are heavily collateralised. Approximation methods are acceptable provided they remain unbiased, but significant exposures—such as the largest 5% of a portfolio—should be assessed individually. The aim is to ensure the timely and symmetrical recognition of credit deterioration, reflecting both increases and reversals in risk.

SBP also stresses the use of reasonable and supportable information, requiring institutions to draw on historical data, current conditions, and forward-looking forecasts. Forward-looking elements, such as macroeconomic scenarios, are central to the ECL approach, and institutions should consider at least three scenarios: base, upside, and downside. These must be derived from credible sources and supported by recognized statistical techniques. To safeguard integrity, financial institutions must establish effective governance and internal controls over their ECL models, periodically review key assumptions for sensitivity and relevance, and provide clear documentation for any exclusions.

Significant Increase in Credit Risk (SICR):

Financial institutions (FIs) must develop their own criteria for assessing SICR in line with IFRS 9, supported by reasonable and forward-looking information (past events, current conditions, and economic forecasts). Policies on default must align with internal credit risk practices and regulatory definitions, while also incorporating qualitative factors (e.g., financial covenants, litigation, or auditor qualifications).

FIs may use practical indicators such as days past due or credit ratings to track transitions across stages, with criteria for changes in Probability of Default (PD) or ratings clearly defined and Board-approved. Assessments should be carried out at borrower, facility, and product levels, considering both counterparty-specific and portfolio-wide risks.

Key qualitative indicators of SICR include restructuring for credit reasons, inadequate financial data, expectation of forbearance, litigation risks, loss of key staff, frauds, delays in operations, or non-cooperation by borrowers. In addition, specific rating downgrades serve as backstops: a three-notch downgrade for top-rated obligors (1–2), two notches for mid-rated (3–5), and one notch for lower grades (6 onwards).

FIs must map their internal ratings to internationally recognized external credit rating definitions where possible. If mapping isn't feasible, reasons must be disclosed in financial statements. When both internal and external ratings exist, the higher risk rating should be used.

For Probability of Default (PD), institutions should incorporate forward - looking macroeconomic factors into their PD estimates, assessing sensitivities and impacts on exposures.

Exposure at Default (EAD) should capture total expected exposure (on- and off-balance sheet) at the time of default, adjusted for contractual cash flows. For revolving products (e.g., overdrafts, credit cards), expected losses should be estimated over a realistic horizon beyond contractual notice periods, with supporting documentation. Only eligible collateral—liquid, legally enforceable, and with a proven recovery history—may be considered, with disclosure of applied haircuts. Recoveries from non-liquid collateral should not be considered for Stage 1 and 2 exposures.

Credit Conversion Factors (CCF) must be estimated based on past experience and forward-looking data, though Basel II factors may be used temporarily until institutions develop their own.

For Loss Given Default (LGD), FIs are required to build models using historical data, recovery experience, collateral values, and recovery costs. If models are unavailable, Basel II's standard LGD rates (45% for secured, 75% for unsecured) may be applied. SBP requires LGD models to be developed by December 31, 2021.

## Conclusion: Global Lessons, Local Realities

The IFRS 9 journey shows us that credit risk management is no longer an accounting footnote. It is a strategic capability.

From London to Dhaka, the leadership lessons are clear:

1. Clarity beats complexity — if boards don't understand the models, they can't govern them.

2. Governance is capital — how scenarios are weighted, defaults are defined, and KPIs are monitored directly affect resilience.

3. Fit matters — the best model is not the most complex, but the one aligned to an institution's data and capacity.

For Bangladesh, the stakes are especially high. The sector's credibility depends on making IFRS 9 more than a compliance exercise. Done right, it can restore trust, improve provisioning discipline, and set the foundation for a more resilient financial system.

Disclaimer: The views expressed in this article are solely those of the author and do not reflect the official position or opinions of the author's organization.

## References

1. Bangladesh Bank. (2024, November 27). Master circular: Loan classification and provisioning (BRPD Circular No. 15). Banking Regulation and Policy Department.

2. Bangladesh Bank. (2025, January 23). Implementation of ECL- based loan classification and provisioning under IFRS 9 (Circular No. 15). Banking Regulation and Policy Department.

3. Reserve Bank of India. (2023). Discussion paper on Expected Loss (EL)-based approach for loan loss provisioning by banks (Press Release: 2022-2023/ 1558). Reserve Bank of India.

4. State Bank of Pakistan. (n.d.). IFRS 9 financial instruments application instructions for parallel reporting. Banking Policy & Regulations Department.

5. Nepal Rastra Bank. (2024, May). NFRS 9 – Expected Credit Loss related guidelines, 2024 (First Amendment). Banks and Financial Institutions Regulation Department.

6. Central Bank of Sri Lanka. (2018, December 31). Guidelines to licensed banks on the adoption of Sri Lanka Accounting Standard – SLFRS 9: Financial instruments. Bank Supervision Department.

# Why Strengthening Internal Audit (IA) and Controls Ecosystem is Critical to Bangladesh's Banking Sector and Securities Market Reforms

**Mohammed Ariful Hoque** FCA

**The Author is a Fellow Member, ICAB and Partner, Hanif & Arif Chartered Accountants**

## Preface

Bangladesh's banking sector is under severe strain, facing a surge in non-performing loans (NPLs), a liquidity crunch, and governance failures. As of March 2025, NPLs reached Tk 4.2 lakh crore, with projections indicating a rise to Tk 8 lakh crore within six months due to stricter loan classification policies.

In response, the central bank has injected Tk 28,000 crore to ease liquidity, and the government is considering merging weak banks with stronger ones. However, the World Bank has warned that forced mergers may harm investor confidence. The interim government, led by Nobel laureate Muhammad Yunus, is currently investigating financial misconduct under the previous regime and pursuing asset recovery.

These banking woes have spilled into the securities market. Investor confidence is shaken, banking stocks are volatile, and liquidity constraints have reduced banks' participation in capital markets. The Bangladesh Securities and Exchange Commission (BSEC) is now cautious in approving IPOs and bonds, slowing capital market activity. Recovery depends on deep reforms, stronger oversight, and effective asset recovery.

Strengthening internal audit and control is vital for banking sector reforms. A robust internal audit function helps detect fraud, enforce compliance, and improve transparency—building trust among regulators and investors. Strong internal audits enable early risk identification, helping to contain rising NPLs, while improving board oversight and guiding strategic decisions.

Internal controls also support asset recovery by uncovering mismanagement and related-party transactions and ensuring compliance with new regulations on loans and mergers. Overall, a strong internal audit and control framework is essential for long-term financial stability and sound corporate governance.

## Beyond the Auditors: Unpacking the Systemic Failures Behind Bangladesh's Banking Sector Crisis

Statutory auditors alone are not responsible for the financial scandals that have plagued Bangladesh's banking sector. While auditors are tasked with identifying material misstatements and ensuring fair presentation of financial statements, the roots of the crisis are systemic and multifaceted. These include:

### Weak Internal Audit Functions

Many banks lack independent, well- resourced internal audit departments. Audit findings are

*The article was reviewed by* ***Moddassar Ahmed Siddique*** *FCA*


often ignored or suppressed by management or board members with vested interests.

### Poor Corporate Governance

Boards of directors in many state-owned and private banks lack independence and are often conflicted. Some directors have close ties to borrowers or political figures, and audit committees are frequently inactive or ineffective.

### Ineffective Regulatory Enforcement

Although the Bangladesh Bank is aware of irregularities, it often responds slowly or inadequately. Coordination with agencies like the Anti-Corruption Commission is limited, diminishing overall effectiveness.

### Insider Collusion

Fraud schemes often involve senior executives and borrowers collaborating on fake loan classifications, inflated collateral, and opaque rescheduling.

### Auditor Shortcomings

While auditors are not forensic investigators, they are expected to flag major irregularities. In several high-profile frauds, auditors failed to do so, raising concerns about their independence and competence.

The crisis reflects collective failure—across auditors, internal audit functions, bank management, boards, and regulators. Without tackling the root cause—weak internal controls—blame alone won't solve the problem. We must ask: ***Is Bangladesh's Internal Audit and Control ecosystem ready to prevent such financial irregularities?***

## Internal Audit & Control Ecosystem in Bangladesh: Progress Amid Persistent Gaps

Bangladesh's corporate governance guidelines signal progress, but fall short of establishing a robust internal audit and control environment. The BSEC Corporate Governance Code requires audit committees and internal controls, but enforcement and practical application remain weak.

Many companies still treat internal audits as regulatory checkboxes rather than integral components of risk management. Internal audit is not legally mandated for all companies, and there is a lack of internal audit standards, professional training, and skilled personnel.

Other persistent issues include:

- Limited legal requirements covering mainly listed firms and banks.
- Weak regulatory oversight by BSEC and Bangladesh Bank.
- Lack of internal audit standards adapted to local contexts.


- Low adoption of risk-based audit approaches and audit technologies.
- Audit committees that often lack independence and authority.

## How Bangladesh Compares: A Regional and Global Snapshot

India has built a strong internal audit and control ecosystem driven by rapid economic growth, globalization, and regulatory reforms. Economic liberalization in the 1990s led to increased demand for transparency, risk management, and governance. Key regulators like Securities & Exchange Board of India (SEBI) and Reserve Bank of India (RBI) introduced strict frameworks, while corporate scandals such as the Satyam fraud prompted major reforms with the efforts of ICAI and IIA India, institutionalized robust audit internal practices. Adoption of global internal audit standards (GIAS) and technology further enhanced audit quality, strengthening corporate governance and boosting investor confidence. The ecosystem also enhances corporate governance by empowering audit committees and boards with timely and accurate information to make informed decisions. Ultimately, this creates a safer and more efficient financial environment, attracting foreign investment, supporting credit availability, and strengthening the resilience of India's financial markets and institutions.

In India, **statutory auditors are required to comment on the Internal Financial Controls over Financial Reporting (ICFR)** in their audit report for certain companies. Specifically, under **Section 143(3)(i)** of the **Companies Act 2013**, the auditor must express an opinion on the adequacy and operating effectiveness of a company's ICFR as part of their audit of the financial statements. This applies primarily to **Listed companies**, and **Certain large unlisted companies** (based on thresholds prescribed under the Act and relevant rules).

The auditor's report includes a separate paragraph on ICFR, which covers whether the company has established adequate internal financial controls; these controls are operating effectively to provide reasonable assurance regarding the reliability of financial reporting, and any material weaknesses or significant deficiencies were identified. This requirement aims to enhance the reliability and integrity of financial statements by ensuring that companies maintain robust internal controls and that auditors evaluate and report on these controls alongside their financial audits.

### Comparing internal audit (IA) and control ecosystems of Bangladesh with India:

| Aspect | India | Bangladesh |
|---|---|---|
| **Early Stage (Before 1990s)** | Internal audit was informal; focused on public sector enterprises and banks. | Similar: Informal, limited to large state-owned enterprises (SOEs) and banks. |
| **Trigger for Development** | 1991 economic liberalization + corporate frauds (e.g., Satyam) created urgency for structured internal control. | Post-2000 capital market reforms and financial sector liberalization began to push internal control focus. |
| **Core Legislation** | **Companies Act 2013**, introduced Section 138 (mandatory internal audit for specific entities) and ICFR. | **Companies Act 1994** has no specific provision for mandatory internal audit except under sectoral regulators. |
| **Financial Sector Oversight** | **RBI** mandates **Risk-Based Internal Audit (RBIA)** for banks and NBFCs. Regular guidance and monitoring. | **Bangladesh Bank** requires internal audit in banks, but no RBIA equivalent yet. Implementation less strict. |
| **Stock Market Regulator** | **SEBI (LODR Regulations, 2015)** enforce audit committees, ICFR, governance disclosures. | **BSEC (Corporate Governance Code, 2018)** mandates audit committees and internal controls, but enforcement is weaker. |
| **Internal Audit Standards** | ICAI developed **Standards on Internal Audit (SIA)**; widely adopted. | ICAB follows ISA, but has **no dedicated internal audit standards**. Internal audit often lacks structure. |
| **Professional Bodies** | **ICAI**, **IIA–India**, and **CAG** provide training, standards, and research. | **ICAB**, **IIA–Bangladesh** (small), limited training and awareness. |
| **Technology Use** | Widespread use of **SAP GRC**, **ACL**, **Team Mate**, **AI-powered audits** in large corporates. | Limited to Excel and basic ERP tools in most companies. Digital audits are rare outside major banks & MNCs. |
| **Audit Committees** | Mandatory and active in listed and large unlisted companies. Reviews internal controls regularly. | Mandatory for listed companies (under BSEC Code), but often not empowered or independent. Large unlisted companies have no audit committees. |
| **Focus Areas of Internal Audit** | Strategic risk, cyber risk, ESG, fraud prevention, continuous auditing. | Still largely focused on compliance and financial accuracy. Risk-based approaches are emerging. |
| **Cultural Maturity** | Board and C-suite accept internal audit as essential for governance and risk management. | In many firms, internal audit is still seen as a formality or compliance checkbox. |
| **Scandals and Their Impact** | Satyam (2009), IL&FS (2018), Yes Bank – led to stricter internal control norms. | Few major reform-triggering scandals (S. Alam, Hallmark, Destiny); weak enforcement has not created urgent reform momentum. |

## Comparing Bangladesh with Vietnam and Developed Markets (USA & UK)

As of 2025, both Bangladesh and Vietnam are developing in internal audit and governance, but Vietnam shows slightly stronger progress. Both have similar regulatory maturity, yet Vietnam has better adoption of IIA standards and more effective audit committees, especially in the private sector. Risk-based audits and audit technology are more common in Vietnam, driven by FDI, while Bangladesh lags behind. Governance culture is improving in Vietnam, while it remains inconsistent in Bangladesh. Vietnam is also advancing public sector oversight through SOE reforms, unlike Bangladesh, which still faces weak control environments.

The U.S. has a highly robust internal control and corporate governance framework, largely shaped by the Sarbanes-Oxley Act (SOX) of 2002. SOX mandates strict internal control over financial reporting, with oversight from the PCAOB and SEC. Companies follow strong standards like COSO and IIA guidelines, supported by institutions such as AICPA and IIA. Internal audits are closely tied to risk management and leverage advanced tools like AI. Annual control assessments, active audit committees, strong enforcement, and whistleblower protections reinforce a culture of transparency, accountability, and investor confidence.

The UK maintains a strong governance framework through its Corporate Governance Code and oversight by the Financial Reporting Council (FRC). Laws like the Companies Act mandate internal control assessments and audit committee oversight. UK companies align with global standards like COSO and the IIA's Global Internal Audit Standards, supported by professional bodies such as the ICAEW & IIA. Internal audits are increasingly risk-based, covering areas like cybersecurity and ESG. Independent audit committees and strong regulatory enforcement uphold transparency, accountability, and investor confidence.

## Strengthening IA in Bangladesh: Key Reforms for a Transparent and Accountable Governance Framework

To enhance internal audit and corporate governance, Bangladesh should prioritize:

- **Amending the Companies Act** to mandate internal audits for large companies.
- **Adapting Global Internal Audit Standards (GIAS)** through ICAB or FRC.
- **Strengthening BSEC oversight,** especially for audit committee independence and governance disclosures.
- **Building IA capacity** through collaboration with ICAB, IIA–Bangladesh, universities, and training programs.
- **Promoting technology and risk-based audit adoption through incentives and** education.
- **Fostering public-private dialogue** on corporate governance to align expectations and raise accountability.

## Bridging the Gap: Accelerating Bangladesh's Journey Toward a Mature Internal Audit and Control Ecosystem

Bangladesh is in the early stages of building a robust internal audit and control ecosystem. Progress is visible, particularly in banks and listed firms, but much work remains. Regulatory clarity, stronger enforcement, and professional development are essential to achieve the maturity seen in developed economies.

Developed countries have built strong audit environments through the integration of rigorous laws, skilled professionals, advanced technologies, and a governance culture that values accountability and risk management. Bangladesh is not behind the trend—but time is of the essence. It's high time for ICAB and FRC to adopt the Global Internal Audit Standards (GIAS) to strengthen audit quality, align with international best practices, enhance stakeholder confidence, and support transparent and accountable governance across both public and private sectors. The Bangladesh Securities and Exchange Commission (BSEC) is to strengthen the internal audit ecosystem by introducing enhanced regulatory frameworks and promoting best practices. In addition, shall enforce more stringent disclosure requirements regarding the effectiveness of internal controls over financial reporting (ICFR), aiming to improve corporate transparency, accountability, and investor confidence. The sooner we strengthen our internal audit and control eco-systems, the greater our chances of financial stability, investor trust, and sustainable economic growth.

## References

https://icaigurugram.org/public/assets/images/ppts/ppt_0_1580714941.pdf

https://kb.icai.org/pdfs/PDFFile5b276a4c148d73.52290639.pdf

https://www.indialawoffices.com/legal-articles/internal-control-over-financial-reporting-guide

https://www.theiia.org/en/standards/2024-standards/global-internal-audit-standards/

https://www.thedailystar.net/business/news/bb-plans-mergers-troubled-banks-nbfis-3904946

# Evaluating Hindsight Bias in Auditing
## Cognitive Distortions and Legal Risks

**Salauddin Morshed** ACA

**The Author is an
Associate Member, ICAB and
Deputy Manager-Audit & Assurance
Nurul Faruk Hasan & Co.
Chartered Accountants**


## Abstract

Hindsight bias distorts the evaluation of audit decisions once the outcome is known. When an adverse event, such as bankruptcy or fraud, occurs, stakeholders often perceive the auditor's failure to detect the issue as more obvious than it actually was at the time of occurrence. This cognitive bias leads to the belief that auditors should have predicted the event, despite the information available at the time not clearly indicated that. As a result, auditors may be unfairly perceived as negligent, which can lead to lawsuits, regulatory penalties, and reputational damage. The ways in which cognitive bias can result in legal liability for auditors include perception of professional negligence, the burden of proof and documentation, unjust allegations of frauds and misconducts, and regulatory investigations and sanctions. Recommendations to mitigate hindsight bias and its negative impact in auditing include maintaining proper audit documentation, conducting independent reviews, enhancing professional scepticism to highly judgmental areas, and arranging trainings focused on cognitive biases.


## Introduction

Hindsight bias is pertinent to auditing because auditors frequently encounter scrutiny after the discovery of financial misstatements, fraud, or other audit failures. In these situations, stakeholders including


*The article was reviewed by*
***A F Nesaruddin** FCA*


regulators, courts, and clients, tend to evaluate the auditor's decisions with hindsight. They may assume that the outcomes of the financial statements or audit failures should have been clear to the auditor during the audit process, despite the fact that the auditor was not privy to the future developments at that time.

The aim of this study is to explore the impact of hindsight bias on auditor judgment and decision-making, with a particular focus on how this cognitive bias can lead to legal liability for auditors. The study seeks to investigate how hindsight bias distorts external evaluations of auditors' work, leading to the perceptions of negligence, increased legal scrutiny, and heightened professional risk. Additionally, the study aims to identify strategies that auditors can employ to mitigate the effects of hindsight bias, thereby protecting themselves from unjust legal consequences and enhancing overall audit quality.

## Understanding Hindsight Bias

Hindsight bias is a cognitive distortion in which individuals believe, after an event has occurred, that they could have predicted or expected the outcome (Roese & Vohs, 2012). This bias causes people to perceive past events as having been more predictable than they actually were. This "I knew it all along" effect can create overconfidence in one's ability to predict events (Pohl, 2016).

Hindsight bias in auditing occurs when auditors, after knowing the outcome of a specific event, believe that they could have predicted it beforehand. This bias can significantly impact auditors' professional judgment, leading to distorted evaluations of the decisions made during the audit. According to Lowe and Reckers (1994), auditors make decisions without knowledge of eventual outcomes; however, auditor liability is determined from the perspective of outcome knowledge. After frauds or financial collapses occur, stakeholders tend to blame auditors in hindsight for failing to foresee and anticipate the subsequent financial problems of their audit clients (Anderson, Lowe, and Reckers, 1993).

According to Roese and Vohs (2012), hindsight bias stems from three primary sources: (i) cognitive inputs, (ii) metacognitive inputs, and (iii) motivational inputs. Cognitive inputs pertain to the mental processes through which individuals recall, interpret, and organize information. Individuals tend to selectively remember information that aligns with their current understanding of the truth. This selective memory leads to a false belief that the outcome of an event was more predictable than it actually was. Metacognitive inputs involve an individual's awareness and regulation of their own thought processes. When an outcome seems easy to explain after the fact, individuals may falsely conclude that it was also likely to occur, despite the absence of such clarity beforehand.

Motivational inputs refer to the psychological needs and desires that shape individuals' perceptions of events. People generally want to see the world as a predictable and orderly place, where causes and effects are clear. This desire leads individuals to view past outcomes as inevitable, even when they were uncertain at the time.

## III. How Hindsight Bias Exposes Auditors to Legal Liability

Hindsight bias can significantly contribute to auditors' legal liability by distorting the evaluation of their decisions are judged post-event. The following are ways by which cognitive bias can lead to legal liability for auditors:

(a) Perception of professional negligence: Hindsight bias leads regulatory bodies, courts, and critics to believe that audit failure has been obvious and easily preventable. In legal cases, this perception can result in auditors being perceived for professional negligence. It can be argued that auditors should have detected red flags or known about misstatements or frauds, based on the outcomes, even though they made judgments without knowledge of future events. This may lead to an unfair judgement that "what they should have known" rather than "what they could have reasonably known".

(b) Burden of proof and documentation: During the time of inspection by regulatory bodies or courts, auditors are often required to present detailed evidence and documentation to justify their judgments and conclusions. Hindsight bias places additional pressure on auditors because, post-event, stakeholders and legal authorities may have unrealistic expectations of perfection. They may assume that auditors should have identified all potential red flags, even when those issues were not clear or reasonably detectable during the audit. Auditors may face challenges in defending their decisions if their audit documentation does not fully rationalize their judgments. Even well-documented decisions can be called into question because hindsight bias makes to believe that auditors should have taken different approaches and steps given the knowledge of outcomes. According to Jennings, Lowe, and Reckers (1998), evaluators often overestimate, ex post, their ability to predict a known outcome. Consequently, judges and juries may blame external auditors for their failure to anticipate negative client outcomes.

(c) Unjust allegations of frauds and misconducts: Hindsight bias can lead to auditors being accused of fraud, misconduct, or willful ignorance when adverse financial events occur. Critics may consider that auditors must have either ignored clear evidence or red flags or been involved in frauds when outcomes seem obvious in hindsight. Even if an auditor is not found liable, the reputational damage from such accusations can be substantial. This can lead to long-term legal costs and loss of future clients.

(d) Regulatory investigations and sanctions: Regulatory bodies, such as the PCAOB, SEC, FRC etc. often review audits following corporate failures or scandals. Auditors may be accused of violating auditing standards and exhibiting professional negligence based on the post-event discovery of misstatements or frauds. Fines or sanctions may be imposed because, in hindsight, the audit procedures may be seemed as inadequate or incomplete. Critics may focus on what the auditor overlooked rather than the reasonable steps taken during the audit. According to a behavioral experiment conducted by Anderson, Lowe, and Reckers (1993), based on 65 federal and state general jurisdiction and 58 auditors from Big Six accounting firms, judges provided significantly lower evaluations of auditors' performance than did auditors.

## Real Life Cases How Hindsight Bias Skewed Judgments of Auditor Responsibility

Hindsight bias was observed in numerous real-world cases during legal disputes and regulatory investigations. In these cases, auditors were criticized for failing to identify and assess issues that later became evident. The following section highlights some notable recent cases where hindsight bias was evident.

## Strategies to Mitigate Hindsight Bias

Hindsight bias can adversely influence judgements of auditors, regulators, and courts by making it seem like that audit failures were predictable during the time of audit. Followings are recommended strategies to mitigate hindsight bias and risk of legal liability arising from this:

(i) Proper audit documentation: Auditors should properly document their audit works. Audit documentation should properly reflect all audit procedures performed, evidences gathered, and conclusion reached. Proper audit documentation serves as a defense during post-event criticism, implying that auditor performed its professional responsible with due care. Proper audit documentation help auditors to safeguard its position by arguing that during the audit issues are justified based on the information available rather than being influenced by the outcomes that emerge

| Case Name | Background | Manifest of Hindsight Bias |
|---|---|---|
| **Miller Energy Case (2015)** | Miller Energy Resources, a US-based oil and gas exploration and production company, overvalued its Alaskan oil and gas properties at $480 million in its financial statements for the fiscal year 2011, despite having originally purchased them for $4.5 million. KPMG, the company's auditor at that time, issued an unqualified opinion on the financial statements. | In 2015, SEC investigation found that Miller Energy overvalued its Oil and Gas assets and counted some assets twice. KPMG was accused of negligence for not detecting the assets overvaluation. According to critics, signs were clear and KPMG should have spotted the overvaluation. But at the time of the audit, valuation of oil and gas properties was highly subjective and involved complex estimation, make it harder to detect the fraud without knowing the eventual outcome. |
| **Carillion Plc. Case (2018)** | Carillion Plc., a UK based construction company, collapsed in 2018. The company was found in practice of aggressive accounting practices including early revenue recognition and hiding mounting debts. KPMG, auditor of the company over 18 years before collapse, faced criticism for failure to challenge these practices and non-identification of financial risks. | After liquidation of Carillion, many argued that KPMG should have detected the red flags and aggressive accounting practices earlier. However, at the time, these practices were allowed under certain interpretations of accounting standards, and Carillion presented a convincing case of its financial health. The eventual collapse of the company made the financial risks appear more obvious than these were during the audit. |
| **Thomas Cook Case (2019)** | Thomas Cook Group, a United Kingdom travel company, went bankrupt in 2019. After the collapse of Thomas Cook Group, Financial Reporting Council (FRC), the watchdog of accounting in UK, investigated into EY's audit of the company for period ended 30 September 2018. Auditor provide unmodified audit option believing that the use of the going concern basis of accounting is appropriate and concur with the directors that there is no significant uncertainty with respect to going concern of the company. | According to FRC, auditor failed to flag-up concerns regarding financial stability of the company. Many critics pointed out that rising debt levels and poor financial performance of the company were signs of its trouble. Hindsight bias lead to believe them that auditor should have assessment and forecast coming collapse. However, management of the company presented recovery plans and auditor based its judgements on forward-looking assumptions, forecasts, and recovery plans. Auditor's going concern assessment was based on these. |

| Case Name | Background | Manifest of Hindsight Bias |
|---|---|---|
| **Burford Capital Case (2019)** | Burford Capital, a UK based litigation finance company, was accused of misrepresentation of its financial performance and position in 2019. The company faced accusation of inflating value of legal claims and inflating profit. Grant Thornton, the company's auditor, was criticized for not challenging the valuation method of the company. | After the accusation was made, critics argued that Grant Thornton should have been more skeptical regarding Burford Capital's valuation model. However, at the time, the valuation of legal claims involved significant judgment and uncertainty which make it difficult for auditor to challenge management assumptions. In hindsight, valuation model appears overly optimistic, but was not obviously fraudulent during the time of audit. |
| **Greensill Capital Case (2021)** | Greensill Capital, a UK based financial services company specialized in supply chain finance, collapsed in March 2021. It was revealed that Greensill Capital had misrepresented the credit risk of its clients and lending business practices. KPMG, auditor of Greensill Capital at that time, for not raising concern about the company's financial health. | After collapse of Greensill Capital, many critics claimed that KPMG should have recognized the credit risk associated with company's business model. However, at the time, Greensill Capital presented itself as a fast-growing and innovative financial services provider, and auditor had not enough clear evidences to challenge assumptions of the company's management. The collapse made the risk seem much more apparent than that was during the audit. |

later. Without proper audit documentation, auditors are more vulnerable to post-event criticism, where regulatory bodies or courts may charge the auditors for professional negligence and audit failures.

(ii) Independent review: Auditor firms should arrange independent review of each audit where working papers of critical areas and audit documentation, complying ISA 230, will be reviewed by a separate reviewer or team. Independent review helps to counteract potential biases including hindsight bias that might influence the audit. Independent reviewers are not directly involved in the audit and are therefore less prone to same cognitive biases. By reviewing audit procedures and decisions objectively, reviewers can validate that audit was conducted in line with standards and without influenced by future events. Independent review provides a second layer of scrutiny and unbiased assessment of audit works. This additional oversight can catch oversights or inconsistencies in the audit before these cause to litigations or regulatory reviews in future and reduce the risk of hindsight bias in evaluating past audit decisions.

(iii) Enhanced professional scepticism to highly judgmental areas: Auditors should maintain enhanced professional scepticism to highly judgmental areas including revenue recognition, impairment testing, goodwill valuation, going concern assessment etc. because these are more susceptible to bias, error, or manipulation. Auditors' judgment and evaluation on these areas should be properly documented in the working papers to justify the rationale behind key decisions, if required, in future.

(iv) Training: Audit firms should arrange training for auditors to make them aware of the cognitive biases including hindsight bias and take actions for avoiding cognitive biases and their pitfalls. Regular trainings help auditors to approach their work with greater objectivity and professional skepticism.

## Conclusion

In the event of corporate scandals and financial collapses, auditors are often held accountable for failing to identify risks and irregularities. Hindsight bias can lead regulators and courts to assume that the warning signs were clear and auditors were negligent. This unfair judgment, based on knowledge of outcomes that was unavailable during the actual audit process, increases the likelihood of legal actions against auditors.

Debiasing techniques include proper audit documentation, independent reviews, enhanced professional scepticism to highly judgmental areas, and training and development programs focused on cognitive biases. Proper documentation of the audit decisions made will help auditors to build a defense against claims of negligence. Independent reviews will help to ensure that judgments are evaluated objectively and independently. Enhanced professional scepticism will enable auditors to mitigate the risk of bias, error, or manipulation in highly judgmental areas. Training will raise auditors' awareness of hindsight bias and enable them to anticipate and counteract its effects. Proper implementation of these debiasing techniques will help auditors to reduce the risk of inflated liability judgments and unjust legal consequences.

## References


Accountancy Age. (2017). Retrieved October 12, 2024, from KPMG fined £4.8m over Miller Energy audit: https://www.accountancyage.com/2017/08/16/kpmg-fined-4-8m-over-miller-energy-audit/.

Anderson, J. C., Jennings, M. M., Lowe, D. J., & Reckers, P. M. (1993). The Mitigation of Hindsight Bias in Judges' Evaluation of Auditor Decisions. Auditing: A Journal of Practice & Theory, Volume 16, Issue 2.

Anderson, J. C., Lowe, D. J., & Reckers, P. M. (1993). Evaluation of auditor decisions: Hindsight bias effects and the expectation gap. Journal of Economic Psychology, Volume 14, Issue 4.

Jennings, M. M., Lowe, D., & Reckers, P. M. (1998). Causality as an influence on hindsight bias: An empirical examination of judges' evaluation of professional audit judgment. Journal of Accounting and Public Policy, Volume 17, Issue 2, Pages 143-167.

Kollewe, J. (2019). The Guardian. Retrieved October 12, 2024, from Thomas Cook auditors investigated by accounting watchdog: https://www.theguardian.com/business/2019/oct/01/thomas-cook-auditors-frc-ey-collapse.

Law.com. (2020). Retrieved October 13, 2024, from Burford Accused of Manupulating 2019 Financial Results: https://www.law.com/international-edition/2020/05/12/burford-accused-of-manipulating-2019-financial-results/.

Lowe, D. J., & Reckers, P. M. (1994). The Effect of Hindsight Bias on Jurors' Evaluations of Auditors Decisions . Decision Sciences, Volume 25, Issue 5.

Peecher, M. E., & Piercey, M. D. (2010). Judging Audit Quality in Light of Adverse Outcomes: Evidence of Outcome Bias and Reverse Outcome Bias. Contemporary Accounting Journal, Volume 25, Issue 1.

Pohl, R. F. (2016). Cognitive Illusions, 2nd Edition. Hove, East Sussex, United Kingdom: Psychology Press.

Roese, N. J., & Vohs, K. D. (2012). Hindsight Bias. Journal of Psychological Science, Volume 7, Issue 5.

Study Corgi. (2024). Retrieved October 12, 2024, from The Carillion Scandal & Financial Statement Fraud: https://studycorgi.com/the-carillion-scandal-and-amp-financial-statement-fraud/.

Traice. (2023). Retrieved October 12, 2024, from Case Study – The Greensill bankruptcy and the leading indicators that investors ignored: https://www.traice.io/post/case-study-the-greensill-bankruptcy-and-the-leading-indicators-that-investors-ignored.

# NPL and Financial Sector Crises in Bangladesh
## Myth of Blaming Auditors is Counterproductive

**Mahamud Hosain** FCA[1] | **Masud Parvez** FCA[2]

**The Authors are:**

**Fellow Member, ICAB and Managing Partner Mahamud Sabuj & Co. Chartered Accountants**

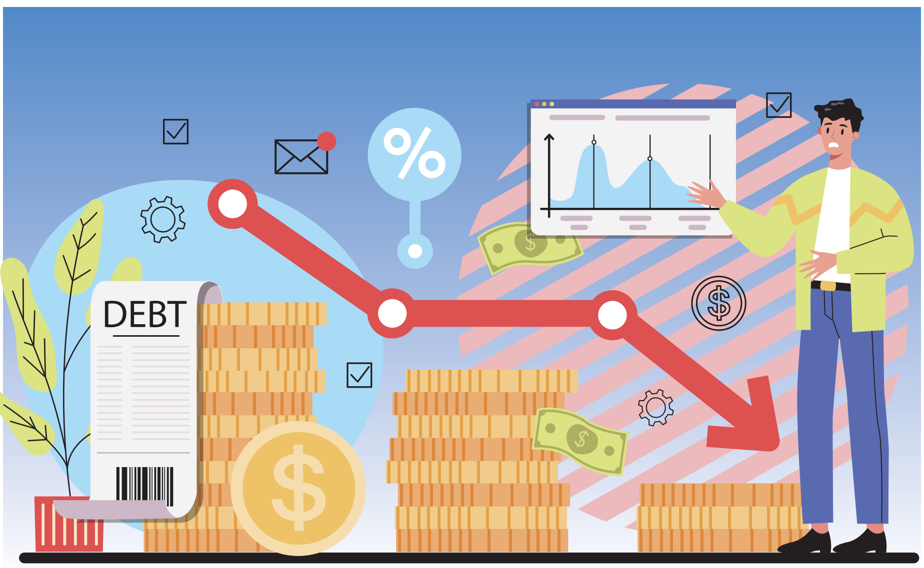
**Fellow Member, ICAB and Executive Director (Finance and Accounts) NASSA Group**

### Prelude

In the aftermath of every major financial failure, the external auditors are first accessed to as scapegoat to save thyself. Repeatedly audit firms are blamed for keeping a blind eye to the looming signs of collapse. It is more so especially when it comes to chronic failures in the Bangladesh banking sector stemming from its non-performing loans (NPLs). While these criticisms are entirely on operational inefficacy, Auditors are yet very irrationally taken at default.

This article challenges the oversimplified myth to blame audit failures as the primary cause of systemic financial breakdowns. Instead, it argues that such crises are the end result of deeply entrenched structural dysfunctions—spanning political capture, regulatory decay, governance collapse, and deliberate operational policy distortions. By focusing narrowly on the audit function, we keep away from diagnosing the real illness and inherent sector limitations we as such leave the underlying machinery of misgovernance untouched.

Using Bangladesh banking sector as a case, this analysis unpacks the systemic roots of financial instability and illustrates how audit failures, while visible, are often the by-products of a far more insidious and deliberate erosion of institutional policy & operational integrity. To build a resilient financial system, we must stop shooting the messenger—and start fixing the system.




*The article was reviewed by*
***Masih Malik Chowdhury** FCA*

## Background

Criticizing external auditors for being behind systemic financial failures, particularly for massive non-performing loans (NPLs) is an intentional, narrow and wrong approach. It is like blaming ants for a forest fire. It is intended for keeping away from operational failure reasons.

While audit failures might have occurred, they were often symptoms of much deeper dysfunctions within the broader financial, regulatory, and political ecosystem. Focusing blame solely on auditors oversimplifies complex crises and distracts from the structural reforms truly needed to address the root causes of financial sectors operational aspects.

The true origins of financial crises and large-scale governance failures often lie in a complex web of systemic dysfunctions. These include entrenched favoritism, cronyism, kleptocracy, licensing systems and regulatory capture, skewed by patronage, unchecked related-party transactions, the proliferation of opaque shell entities, and widespread weaknesses in corporate governance. In many cases, policy distortions are not accidental, but are deliberately crafted to favor select interests bereft of transparency and accountability.

While Audits take place after closure of operational year, public perception of audit failures responsible for financial sector crises to dominate the public and policy discourse, brought in the risk of misdiagnosing the problem. This misdirection not only oversimplifies complex crises but also diverts attention from the comprehensive reforms needed to address the underlying drivers of malfeasance. It creates a false sense of progress by focusing on the last line of defense, rather than fixing the institutions, incentives, and policies that made failure likely in the first place.

## The Broader Context of Financial Collapse

Over the past decades, especially in the banking sector, Bangladesh has witnessed repeated episodes of massive loan defaults and financial mismanagement. But behind these high-profile failures lies a tangled web of political capture, weak regulatory oversight, governance breakdowns, and entrenched patronage systems.

These are not isolated incidents but manifestations of systemic vulnerabilities that allowed—and in some cases encouraged—massive embezzlement and financial irregularities under the guise of lending.

## Systemic Drivers of Financial Sector Crime

### Political Capture & Patronage in Banking

- Politicized Bank Licensing: Between 2009 and 2012, 14 new private banks were licensed by the immediate past government, often bypassing economic viability assessments in favor of politically connected sponsors.

- Boardroom Takeover: Legal amendments weakened governance by extending director tenures from 6 to 12 years and permitting family-dominated boards—making oversight ineffective and increasing vulnerability to patronage - based lending.

- Enforced Bank Control Transfers: Large conglomerates, notably the S. Alam Group, took over banks using influence from then active and influential pressure groups including agencies like DGFI. According to economist Ahsan Mansur, an estimated $17 billion was siphoned off through these politically facilitated acquisitions.

### Related-Party Lending & Shell Companies

- Undocumented Insider Loans: Bank directors and their affiliates funneled massive loans to shell companies they controlled. A CPD study identified 24 cases (2008–2023) involving Tk 922 billion (~$32 million per case).

- S. Alam Group's Exposure: Alone, the S. Alam Group reportedly borrowed Tk 1.75 trillion (~$20 billion), equivalent to 4% of the national GDP, illustrating the scale of unchecked related-party lending.

### Regulatory Laxity & Governance Failure

- Weak Oversight by Bangladesh Bank: The central bank failed to enforce critical prudential standards—credit limits, capital adequacy, risk-based supervision among others —and as its practice regularly allowed the rescheduling of defaulted loans to artificially suppress NPL figures.
- Audit Failures: While external auditors played a vital role, many were ineffective or complicit. The audit committees were rendered dysfunctional due to political and corporate capture.

### Exploding Non-Performing Loans (NPLs)

- Unprecedented Growth: NPLs grew from Tk 22,000 crore ($2.6 billion) in 2009 to over Tk 345,000 crore ($40 billion) by the end of 2024—surpassing 20% of total loans. Independent estimates apprehend that nearly 42% of total loans may be effectively non-performing.
- Distressed Loans Reporting: As of mid-2024, Tk 6.75 lakh crore (~$78 billion)—32% of all loans—were classified as distressed. This is equivalent to the cost of building 13 metro systems or 22 Padma Bridges.

### Cronyism and State Influence

- State-Owned Bank Corruption: BASIC Bank alone saw embezzlement of Tk 20–45 billion under politically protected leadership.
- Systemic Impunity: Massive scandals such as the Hallmark–Sonali Bank fraud (Tk 35 billion), Crescent, Bismillah Group, NRB, and others resulted in minimal legal consequences for perpetrators, showcasing institutionalized impunity.

### Erosion of Auditor Independence Under the Guise of Regulatory Coordination

In Bangladesh, the independence of external auditors serving banks and financial institutions is facing an alarming erosion—veiled behind the pretext of regulatory coordination. Tri-partite meetings, involving

### Policy Weaknesses Enabling Misgovernance

| POLICY FLAW | IMPACT |
|---|---|
| Loan-default classification period extended from 6 to 9 months | Delayed recognition of defaults, masking NPL problems |
| Mandatory political lending (e.g., agriculture, PM's relief fund) | Institutionalized corruption and distorted credit allocation |

representatives from Bangladesh Bank, bank management, and external auditors, were ostensibly introduced to enhance collaboration. However, in practice, they often, have become conduits for undue influence and regulatory overreach. A particularly concerning instance is the Bangladesh Bank's directive mandating customized or reduced provisioning requirements for Non-Performing Loans (NPLs)—a clear deviation from the standard BRPD circulars. Such interventions compromise the professional objectivity and independence that auditors are duty-bound to uphold. The auditee maintains that, since Bangladesh Bank permitted a deferral of loan loss provisioning—allowing banks not to maintain specific provisions at year-end for the purpose of preparing annual financial statements—and such deferral was duly disclosed in the Notes to the Financial Statements, auditors should not treat this as a qualification point/matter emphasis point in the auditor's report. However, the said deferral of provision maintenance does not reflect any substantive improvement in the credit quality of Loans and Advances, though. Moreover, it needless to mention such regulatory forbearance is inconsistent with the provisioning requirements outlined in relevant BRPD circulars issued by Bangladesh Bank. This practice resulted implicit pressure on auditors, potentially impairing their independence.

While accountability frameworks do effectively exist these mechanisms are increasingly being used not to uphold financial discipline but to exert control over auditors who attempt to exercise professional skill with integrity. This has given rise to a regulatory environment where disciplinary tools are no longer instruments of oversight, but weapons of coercion—dampening the spirit of independent auditing.

At the core of this systemic dysfunction lies the deliberate negligence—or in some cases, calculated complicity—of bank management. Large volumes of credit have been disbursed without proper due diligence, often to fictitious, anonymous or disguised entities. The absence of a credible mechanism to verify borrower authenticity underscores a broader operational & institutional failure—spanning internal control systems, governance practices, and regulatory supervision.

Auditors conduct their work under the assumption that a reasonably sound system of internal control is in place. When this assumption is invalidated—whether through collapse or willful circumvention—no auditor, however skilled or principled, can be expected to render an independent audit opinion. This challenge becomes even more acute in environments where corporate governance is heavily influenced by entrenched state, bureaucratic & political interests. In such circumstances, blaming auditors for systemic failures reflects a fundamental misapprehension of their role and serves only to obscure the deeper institutional shortcomings that demand urgent reform.

## Why Audit-Failure Criticism Misses the Point

Blaming auditors in isolation obscures the real story. The financial crisis was not triggered by negligent auditors(?) alone but in reality, by a broader system riddled with:

- Regulatory capture
- Crony-driven bank licensing from political favoritism
- Related-party lending to entities amidst governmental & political intervention
- Weak & distorted governance structures
- Deliberately made partisan policies

Audit failures may be symptoms, not root causes. When such failures dominate public and policy discussions, they misdirect reform efforts, giving the illusion of accountability while bereft of dealing with deliberate structural dysfunctions and operational failures in needed manner.

## Conclusion: A Crisis of Systemic Failure, Not Just Audit Oversight

The crisis in Bangladesh's banking sector is not at all a story of audit lapses alone. It is the culmination of decades of:

1. Political capture of banks and regulators
2. Crony loans through shell companies
3. Regulatory negligence and governance erosion
4. Manipulated reporting of NPLs and distressed assets
5. Impunity for politically connected NPL grabbers & wrongdoers

Notwithstanding the practice of blaming Auditors for systemic financial crises, particularly for NPLs is misleading—and counterproductive Audit reform is certainly necessary. However, it has to be done as a part of comprehensive overhaul that should target the structural, institutional, and political forces responsible for decades of financial malpractices.

Only by addressing the roots causes can Bangladesh aspire to restore credibility, discipline, and trust in its financial sector system.

## References

1. CPD (2023). "State of Bangladesh's Banking Sector: Challenges and Reform Priorities."
2. Mansur, A.H. (2023). "Banking Sector Governance and Political Capture in Bangladesh." PRI Bangladesh.
3. Bangladesh Bank Reports – Annual reports 2023
4. The Daily Star, Dhaka Tribune, Financial Express, and Prothom Alo have covered: S. Alam Group loan scandals, BASIC Bank corruption, Hallmark-Sonali Bank fraud, NPL trends and bank regulatory failures

# FinTech and the Modern CFO
## A Strategic Alignment for the Digital Age

**Muhammed Omar Faruk Ripon** FCA

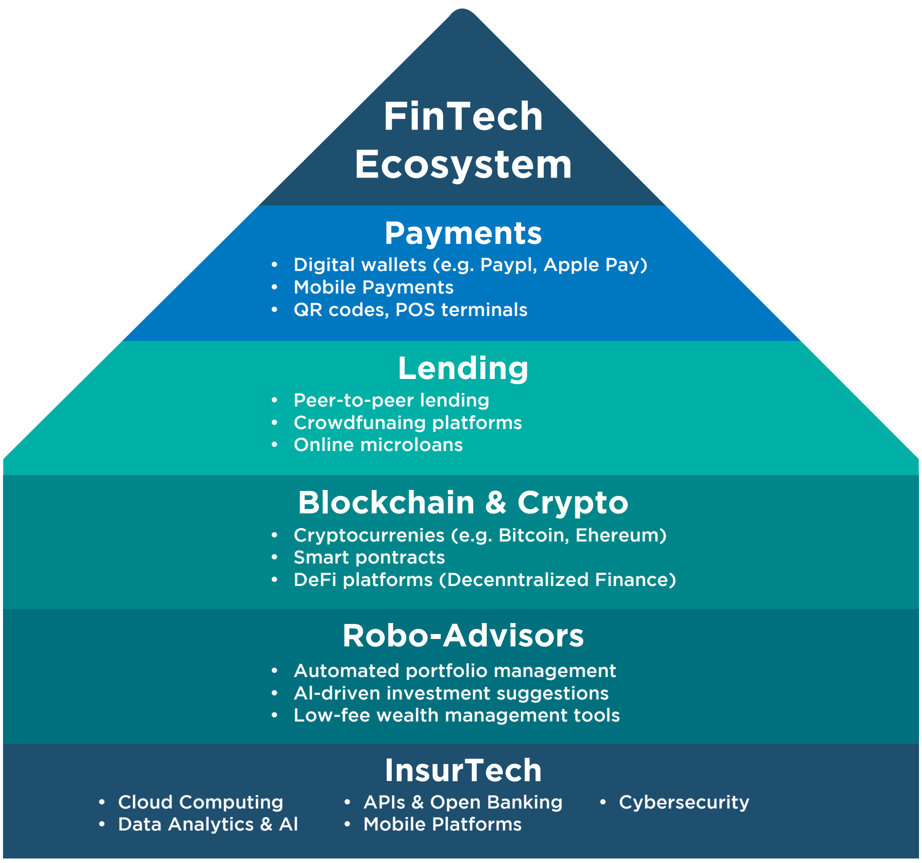
**The Author is a Fellow Member, ICAB and CFO, Panna Group**

## Abstract

In today's digital economy, **Financial Technology (FinTech)** has transformed how financial services are delivered and managed. For **Chief Financial Officers (CFOs)**, this technological disruption offers both opportunities and challenges. Acquiring FinTech knowledge is no longer optional. This article explores the concept of FinTech, its dimensions, how it is redefining the role of the modern CFO and a detailed roadmap on how CFOs can develop expertise in FinTech.

## Preamble

The financial landscape is undergoing a dramatic transformation fueled by FinTech (Financial Technology). This revolution, driven by automation, digitization, Blockchain, AI, and cloud computing, is reshaping traditional finance operations. At the center of this transformation stands the Chief Financial Officer (CFO), whose role is evolving from number-crunching to strategic leadership. CFOs are at the helm of financial decision-making,




*The article was reviewed by* ***K Atique-e-Rabbani*** *FCA* making FinTech literacy essential for driving innovation, maintaining compliance, and boosting operational efficiency.

## What is FinTech?

FinTech refers to the integration of technology with financial services to improve and automate the delivery and use of financial offerings. It encompasses everything from mobile banking and digital payments to Cryptocurrency, Robo-advisors, Blockchain and Insurtech.

### Core Areas of FinTech-

- Digital Payments - Mobile wallets, QR-based payments, and P2P transfers
- Blockchain - Distributed ledger technology for secure and transparent transactions
- Robo-Advisors - AI-driven investment guidance platforms
- RegTech - Technology used for regulatory compliance and reporting
- LendingTech - Peer-to-peer lending, alternative credit scoring
- InsurTech - Technology-enhanced insurance products and services
- WealthTech - AI tools and platforms for wealth and portfolio management

## The Evolving Role of the CFO in the Age of FinTech

Traditionally CFO has been seen as financial gatekeepers. Their scope now spans beyond reporting and budgeting into strategic partnerships with IT, risk, compliance, and innovation departments. Modern CFOs are now expected to:

- Lead digital transformation initiatives
- Interpret financial data in real time
- Navigate emerging technologies
- Integrate financial strategy with technology

## Impact of FinTech on the CFO's Domain

The rapid evolution of Financial Technology (FinTech) is transforming the traditional role of Chief Financial Officers (CFOs), expanding their responsibilities beyond financial stewardship to strategic leadership. FinTech innovations are reshaping how financial data is captured, analyzed, reported, and acted upon. This shift is redefining finance functions and empowering CFOs to become key enablers of innovation and growth.

### A. Real-Time Financial Reporting

Automation tools streamline reporting processes, significantly reducing manual effort, time lags, and human error. With the adoption of cloud-based platforms, CFOs can now access real-time dashboards and financial data anytime, anywhere, enabling faster and more informed decision-making. This agility is critical in today's volatile business environment.

### B. Enhanced Forecasting and Decision-Making

FinTech empowers CFOs with AI-driven predictive analytics and machine learning models, enabling them to simulate various financial scenarios with greater accuracy. This shift allows CFOs to move beyond traditional backward-looking reports and adopt a strategic, proactive approach to planning and budgeting.

### C. Cost Optimization

Robotic Process Automation (RPA) handles repetitive, rule-based tasks such as data entry, invoicing, and reconciliations, freeing up staff for higher-value work. Additionally, FinTech solutions eliminate inefficiencies in traditional, paper-based workflows, resulting in significant reductions in operational overhead and processing time.

### FinTech Solutions/Domains CFOs Should Know

| Category | Examples | Purpose |
|---|---|---|
| Payments | PayPal, Stripe, Square | Real-time digital transactions |
| Lending | Kabbage, LendingClub | SME and peer-to-peer financing |
| Accounting | Xero, Zoho Books, FreshBooks | Automated bookkeeping and reporting |
| Expense Mgmt | Expensify, Brex, Airbase | Automated employee expense controls |
| Blockchain | Ethereum, Ripple, Stellar | Smart contracts and ledger security |
| RPA/AI | UiPath, Blue Prism, Alteryx | Robotic process automation |
| RegTech | Onfido, ComplyAdvantage | Comply with regulatory requirements efficiently, in real time, at reduced costs |
| WealthTech | Betterment, Robinhood | Democratize investment and financial planning services |
| InsurTech | Lemonade, Metromile | enhances the insurance industry by streamlining policy management, underwriting, and claims processing through automation and data analytics. |

### FinTech Solutions/Domains CFOs Should Know

| Traditional CFO Role | FinTech-Enabled CFO Role |
|---|---|
| Financial Steward | Data Strategist and Digital Leader |
| Compliance Monitor | Cyber Risk Manager and Tech Implementer |
| Budget Controller | Real-Time Analytics Driver |
| Report Generator | Predictive Insight Provider |
| Treasury Manager | Blockchain and Crypto Evaluator |

### D. Compliance and Risk Management

Regulatory Technology (RegTech) tools help organizations stay compliant by continuously monitoring regulatory changes and automatically flagging discrepancies. Meanwhile, blockchain technology brings unmatched transparency and security to transactions, reducing the risk of fraud and ensuring a reliable audit trail.

### E. Fundraising and Capital Management

FinTech is transforming capital markets by introducing Decentralized Finance (DeFi), Crypto Assets, and Crowdfunding platforms as alternative funding options. CFOs must now evaluate the viability and regulatory implications of tokenized assets and digital finance, which can offer faster and more inclusive fundraising mechanisms.

## How CFOs Can Build FinTech Knowledge

### a. Education and Certifications

CFOs can gain insights into FinTech through structured programs:

| Certification/Program | Provider | Cost (Appx.) | Duration |
|---|---|---|---|
| FinTech Certification Program | Harvard / MIT / Oxford | $1,500 – $3,500 | 6 – 12 weeks |
| Certified FinTech Professional (CFtP) | Global FinTech Institute | $700 – $1,200 | 3 months |
| FinTech for Finance Leaders | Wharton / INSEAD | $2,000 – $3,000 | 8 – 10 weeks |
| Blockchain and FinTech Certificate | Coursera / edX | Free – $800 | Varies |

### b. Self-Directed Learning

- **Books:** "The FINTECH Book" by Susanne Chishti, "Digital Bank" by Chris Skinner.
- **Podcasts & Blogs:** Finextra, Tearsheet, FinTech Today.
- **Online Courses:** LinkedIn Learning, Udemy, edX, Coursera.

### c. Networking & Industry Engagement

- Attending FinTech summits (e.g., Money20/20, Finovate)
- Joining FinTech associations or CFO digital forums

## Benefits of FinTech Knowledge for CFOs

FinTech knowledge empowers CFOs to leverage advanced technologies for smarter financial planning, real-time insights, and operational efficiency. It enables them to lead digital transformation, ensure compliance through automated tools, and drive data-driven decision-making. Additionally, understanding FinTech trends helps CFOs explore innovative financing options and maintain a competitive edge in a rapidly evolving financial landscape.

| Benefit | Description |
|---|---|
| Real-Time Financial Insights | Enables dynamic decision-making through AI and analytics. |
| Cash Flow Management | Instant payment reconciliation and predictive liquidity tools |
| Cost Optimization | Automation reduces operational and transactional costs. |
| Compliance & Reporting | Automated, audit-ready, regulation-compliant processes |
| Fraud Prevention & Security | Blockchain and biometrics increase data security. |
| Improved Forecasting | Machine learning enhances predictive financial modeling. |
| Improved Accuracy | AI-driven audit trails and reconciliations |
| Better Risk Prediction | Machine-learning algorithms detect fraud anomalies |
| Faster Reporting | Cloud-based tools accelerate monthly and annual closings |
| Enhanced Stakeholder Trust | Transparent reporting and automated compliance |

## Benefits to Non-Finance Professionals

FinTech benefits non-finance professionals by simplifying access to financial tools, enabling better budgeting, expense tracking, and informed decision-making through user-friendly apps and platforms. It promotes financial literacy by making complex concepts more understandable and actionable through intuitive interfaces and real-time data. Additionally, it fosters cross-functional collaboration by integrating financial insights into operational, marketing, and strategic planning processes.

| Role | FinTech Benefit |
|---|---|
| CEOs & Entrepreneurs | Better capital access, improved financial control |
| Marketers | Access to consumer finance data to tailor campaigns |
| Operations Managers | Automation in vendor payments, logistics financing |
| HR Professionals | Payroll automation, compensation benchmarking |
| IT Professionals | Integration of APIs, cloud finance platforms |
| Product Managers | Embedded finance and consumer credit integrations |

## Comparison with Traditional Accounting Standards

The integration of FinTech is redefining how financial operations are conducted, offering speed, accuracy, and deeper insights that traditional accounting systems often lack. While conventional accounting standards emphasize consistency, compliance, and historical reporting, FinTech introduces automation, real-time data processing, and predictive analytics. This shift not only modernizes the finance function but also enables CFOs and Finance Professionals to transition from record-keeping roles to strategic business partners.

| Aspect | Traditional Accounting Standards | FinTech-Enabled Finance |
|---|---|---|
| Data Entry & Processing | Manual or semi-automated; time-consuming | Automated with AI, RPA, and OCR for faster and accurate processing |
| Reporting | Periodic (monthly, quarterly) | Real-time dashboards and continuous reporting via cloud platforms |
| Forecasting | Historical and static analysis | Predictive modeling using AI and scenario analysis |
| Decision-Making | Based on past financial data | Data-driven and forward-looking insights |
| Compliance | Manual interpretation of regulations | Real-time monitoring using RegTech and auto-alerts for changes |
| Audit Trail | Paper-based, stored manually | Digital, immutable records via blockchain |
| User Access | Restricted, often limited to finance team | Role-based, cross-functional access via secure cloud systems |
| Cost Efficiency | High operational and compliance costs | Cost-effective with reduced need for manual labor and paperwork |
| Scalability | Difficult to scale quickly with business growth | Easily scalable via SaaS-based platforms and digital tools |

Despite the efficiency gains, FinTech must align with GAAP/IFRS standards, requiring regulatory oversight and audit checks.

## Key Challenges in FinTech Adoption

While FinTech offers transformative benefits for finance functions, its adoption is not without hurdles. Organizations must navigate a range of technical, regulatory, and cultural challenges to fully realize its potential. Understanding these barriers is essential for developing effective strategies for successful digital transformation in the finance domain.

### 1. Data Privacy & Cybersecurity Risks

Handling sensitive financial data increases exposure to cyberattacks and breaches, requiring robust security protocols.

### 2. Regulatory Uncertainty

Rapid innovation often outpaces existing regulations, creating compliance challenges and legal ambiguity for organizations.

### 3. Integration with Legacy Systems

Many organizations rely on outdated infrastructure, making it difficult to integrate new FinTech solutions smoothly.

### 4. High Implementation Costs

Initial investment in FinTech platforms, training, and system upgrades can be substantial, especially for SMEs.

### 5. Skill Gaps & Talent Shortage

Adopting FinTech requires digital and analytical skills that may not be readily available within traditional finance teams.

### 6. Resistance to Change

Organizational inertia and reluctance from staff or leadership can slow down digital transformation efforts.

### 7. Interoperability Issues

Lack of standardized systems may hinder

seamless data exchange between different platforms and stakeholders.

8. **Reliability of New Technologies**

   Emerging technologies may face stability or scalability issues, especially during early adoption phases.

9. **Talent and Skill Gaps**

   Need for tech-savvy finance professionals

## Implementation Roadmap for CFOs

Successfully adopting FinTech requires more than just selecting the right tools—it demands a strategic, phased approach led by the CFO. As custodians of financial transformation, CFOs must align FinTech initiatives with organizational goals, ensure cross-functional collaboration, and manage change effectively. A clear implementation roadmap helps in minimizing risks, optimizing investment, and achieving long-term value from FinTech adoption.

### Step 1: Assess Readiness

Evaluate current finance systems, gaps, and digital maturity.

### Step 2: Build a FinTech Task Force

Create a cross-functional team to evaluate tools, vendors, and pilot projects.

### Step 3: Choose the Right Solutions

Balance between scalability, compliance, and cost-effectiveness.

### Step 4: Pilot and Train

Start small with automation tools; train staff simultaneously.

### Step 5: Evaluate and Expand

Use feedback, ROI, and KPIs to expand FinTech adoption company-wide.

## The Future: CFO as a "Chief Future Officer"

As FinTech continues to reshape the financial landscape, the role of the CFO is rapidly evolving from a traditional financial steward to a forward-thinking strategist. The modern CFO is increasingly expected to drive innovation, harness emerging technologies, and lead data-driven transformation across the organization. In this new era, the CFO becomes a "Chief Future Officer"—a visionary leader focused on future-proofing the business through agility, insight, and digital leadership.

### Key Future Roles:

- Digital Transformation Leader
- Sustainability and ESG Financier
- Innovation Advisor
- Platform Economy Architect
- AI-Ethics and Data Governance Strategist

As FinTech evolves into embedded finance, open banking, and token-based economies, CFOs will be instrumental in balancing innovation with governance.

| Area | Relevant Law/Portal |
|---|---|
| Digital Payments | PSD2, UPI, Mobile Financial Services Guidelines |
| Crypto | FATF Guidelines, SEC crypto regulations |
| InsurTech | IRDA (Insurance Regulatory and Development Authority) |
| RegTech | SEC EDGAR, GRC Tools |
| Cybersecurity | GDPR, ISO 27001, NIST Cyber Framework |

## Key Regulations & Portals in FinTech

As FinTech continues to grow in scale and complexity, regulatory frameworks are evolving to ensure transparency, security, and consumer protection. CFOs and finance leaders must stay informed about emerging compliance standards, digital finance laws, and supervisory technologies shaping the industry. Additionally, government and regulatory portals are playing a crucial role in streamlining licensing, monitoring, and reporting processes, enabling smoother adoption of FinTech solutions within legal boundaries.

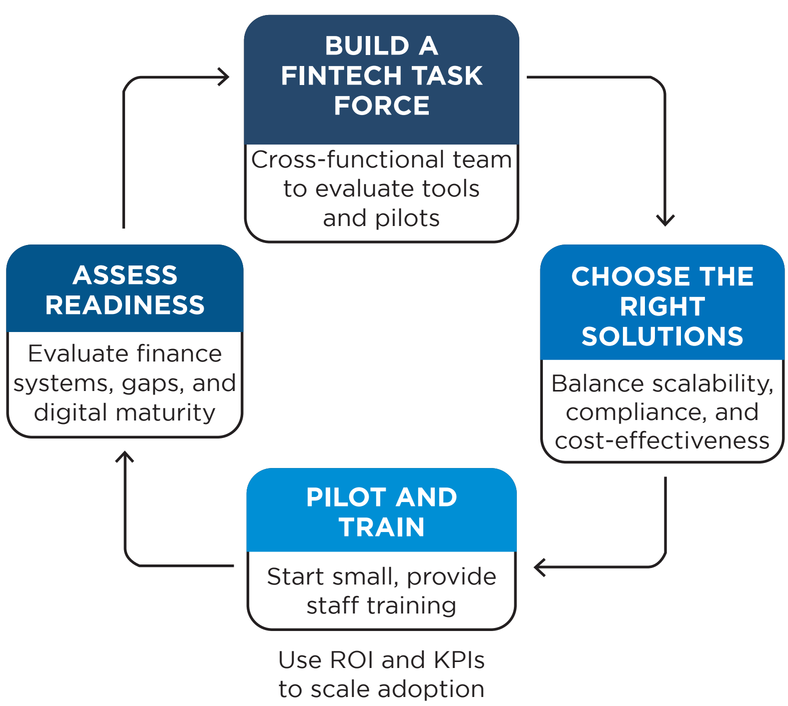
## Emerging Issues and Strategic Considerations in FinTech

As the FinTech landscape continues to evolve, CFOs and finance leaders must remain vigilant of a broad spectrum of emerging issues that go beyond core financial operations. These developments, spanning across technology, regulation, ethics, and sustainability, have strategic implications for risk management, compliance, innovation, and long-term business resilience. Staying informed and proactive in addressing these areas is essential for responsible FinTech adoption and organizational agility.

### Key Areas to Monitor and Explore

- Cross-Border FinTech Regulations: Understanding jurisdictional differences and ensuring compliance in global FinTech operations.
- Digital Taxation Frameworks: Navigating new tax rules for digital transactions, assets, and platform-based income.
- ESG and Sustainable FinTech (Green FinTech): Leveraging FinTech tools to support environmental and social responsibility goals.
- AI Ethics and Financial Bias Mitigation: Addressing ethical concerns in AI-driven decision-making and minimizing algorithmic bias.
- Decentralized Finance (DeFi) Opportunities and Threats: Evaluating the potential and risks of peer-to-peer finance models without intermediaries.
- Central Bank Digital Currencies (CBDCs): Preparing for digital fiat currency models and their impact on liquidity, transactions and privacy.

## FinTech Implementation Roadmap



- Digital ID and KYC Automation: Enhancing compliance and customer onboarding with secure decentralized digital identity systems.

- Regulatory FinTech Sandboxes: Utilizing controlled environments to test new financial technologies under regulatory oversight.

- Open Banking APIs and Data Portability: Embracing data sharing frameworks to foster innovation and improve customer service.

- Tax Implications of Digital Assets: Understanding valuation, reporting, and taxation requirements for crypto and digital tokens.

## Conclusion

The rapid evolution of Financial Technology (FinTech) is transforming the traditional role of Chief Financial Officers (CFOs), expanding their responsibilities beyond financial stewardship to strategic leadership. FinTech innovations are reshaping how financial data is captured, analyzed, reported, and acted upon. With advanced tools like AI, Blockchain, cloud computing, and digital finance platforms, CFOs are now positioned at the forefront of driving efficiency, enhancing transparency, optimizing costs, and enabling real-time decision-making across the organization. This shift is redefining finance functions and empowering CFOs to become key enablers of innovation and growth.

## References


- Chishti, S., & Barberis, J. (2016). The FINTECH Book: The Financial Technology Handbook for Investors, Entrepreneurs and Visionaries. John Wiley & Sons.

- Skinner, C. (2014). Digital Bank: Strategies to Launch or Become a Digital Bank. Marshall Cavendish International.

- Global FinTech Institute. (2024). Certified FinTech Professional (CFtP). Retrieved from https://globalfintechinstitute.org/

- Harvard Business School. (2024). FinTech Online Certificate Programs. Retrieved from https://online.hbs.edu/

- MIT Sloan School of Management. (2024). FinTech: Future of Commerce Program. Retrieved from https://executive.mit.edu/

- Wharton Executive Education. (2024). Fintech: Foundations & Applications of Financial Technologies. Retrieved from https://online.wharton.upenn.edu/

- PWC. (2023). Financial services technology 2023 and beyond: Embracing disruption. Retrieved from https://www.pwc.com/

- EY. (2023). Global FinTech Adoption Index. Retrieved from https://www.ey.com/

- Deloitte. (2023). The CFO Guide to FinTech: Transforming the Finance Function. Retrieved from https://www2.deloitte.com/

- World Economic Forum. (2022). The Future of Financial Infrastructure. Retrieved from https://www.weforum.org/

- McKinsey & Company. (2023). The Rise of Digital Finance and FinTech. Retrieved from https://www.mckinsey.com/

- International Monetary Fund (IMF). (2022). FinTech and Financial Services: Initial Considerations. Retrieved from https://www.imf.org/

- Coursera. (2024). Blockchain and FinTech Specialization. Retrieved from https://www.coursera.org/

- Finextra Research. (2023). News and Analysis on FinTech Trends. Retrieved from https://www.finextra.com/

- Money20/20. (2024). FinTech Global Conference Proceedings. Retrieved from https://www.money2020.com/

- Tearsheet. (2023). Insights into Digital Finance and FinTech Innovation. Retrieved from https://www.tearsheet.co/

# Human Resource Development-Climate and Effectiveness

## Insights from the selected Banking Sector in Bangladesh

**Dr. Mohammad Mizanur Rahman Chowdhury**

**The Author is a Professor Department of Management University of Chittagong**

*The article was reviewed by* ***Muallem A Choudhury***

### Purpose

The present study aims to explore and analyze the association between Human Resource Development (HRD) climate and HRD effectiveness in selected banking enterprises in Bangladesh, thereby contributing to a deeper understanding of how organizational climate influences HRD outco effectiveness and highlighting the importance of fostering a favourable HRD climate as a critical driver for organizational growth, employee development, and overall performance improvement The present study holds significant importance as it addresses a critical gap in existing research by examining the association between Human Resource Development (HRD) climate and HRD effectiveness in selected banking enterprises in Bangladesh. Although several studies have explored HRD systems, practices, and human resource management (HRM) dimensions across various industries (Jahan, 2014; Kamrujjaman et al., 2014; Nasrul et al., 2006), none have directly investigated the interplay between HRD climate and HRD effectiveness within the banking sector.

### Design/Methodology/ Approach

In order to indentify the association, the study conducts regression analysis through SPSS version 26.0. A 5 point Likert scale has been used as a survey instrument Survey Instruments for measuring HRD climate and HRD effectiveness in the selected banking enterprises in Bangladesh. Kirkpatrick model is utilized for measuring HRD effectiveness and OCTOPACE model is used for measuring the HRD climate

### Findings

The study reveals a statistically significant association between HRD effectiveness (HRDE) and HRD climate (HRDC), indicating that a more favourable HRD climate leads to higher levels of HRD effectiveness within the selected banking enterprises. HRD effectiveness is widely recognized as one of the critical success factors for organizations, as it drives employee development, enhances productivity, and strengthens overall organizational performance.

### Practical Implications

These findings provide valuable guidance for decision-makers in financial organizations. By cultivating a supportive HRD climate, organizations can enhance employees' competencies and, in turn, improve overall organizational performance. These findings provide valuable guidance for decision-makers in financial organizations and are grounded in a systematic analysis that explicitly addresses several current issues in the Bangladeshi banking sector.


Empirical and practitioner reports point to inconsistent and inadequate training and career-development pathways, limited perceived organizational support for HRD (PSHRD), gaps in mentoring and innovation programs, gender-differentiated needs around safety and workplace environment (Refat et al., 2025), and uneven recruitment and selection practices (Jahan, 2014). Because previous studies rarely linked HRD climate directly with HRD effectiveness, organizations have lacked clear evidence on which HRD levers to prioritise. A supportive HRD climate not only enhances employees' competencies and commitment, but also reduces turnover, improves service quality and operational reliability, fosters innovation, strengthens regulatory and social responsibility compliance, and advances gender equity — all outcomes that directly affect a bank's competitiveness and sustainability. Therefore, by cultivating an equitable and supportive HRD climate through targeted training, strengthened PSHRD (Perceived Support for Human Resource Development which means Employees feel a stronger sense that their organization genuinely supports their professional growth, learning, and development such as Believing that the organization invests in training and mentoring, Feeling that there are fair opportunities for career progression, Seeing that management is committed to employee skill development and Experiencing a workplace culture that encourages innovation and learning), mentoring, transparent recruitment, and sustainable HRM practices, financial institutions can convert improved individual capabilities into tangible organizational performance gains.

## Originality/Value

This study contributes to the existing literature by empirically demonstrating the relationship between HRD climate and HRD effectiveness. It underscores the critical role of fostering an effective HRD climate to drive organizational success and achieve sustainable performance outcomes.

### Key Word

HRD Climate, HRD Effectiveness, KIRPITRIK model, OCTOPACE climate.

## Introduction

HRD climate plays a crucial role in achieving the committed goals of individuals, organizations, and society. It enhances individual capabilities and efficiency, which, in the long run, contributes to the well-being of employees, the goodwill of institutions, and the overall welfare of society. However, the nature and extent of efforts and investments in developing human resources may vary across organizations, depending on their specific needs, the types of capabilities they seek to build, and their size. The elements of HRD climate can be broadly grouped into three categories: such as General Climate, HRD Culture and HRD Mechanisms.HRD culture is fundamental for fostering a positive HRD climate. It reflects the extent to which the values of Openness, Confrontation, Trust, Autonomy, Pro-activity, Authenticity, Collaboration, and Experimentation (OCTAPACE) are encouraged and practiced within an organization. Numerous researchers have identified significant links between organizational climate and various organizational outcomes, including employee performance, organizational effectiveness, productivity, job satisfaction, organizational commitment, justice perceptions, work motivation, organizational alienation, anxiety, and turnover intentions (Dickson et al., 2006; Bellou & Andronikidis, 2009; Ahmad et al., 2012; Zhang & Liu, 2010; Heyart, 2011; Rahimic, 2013). Furthermore, organizational climate has been found to promote positive behaviors such as organizational citizenship behavior, innovative behavior, and proactive engagement (Patterson et al., 2004; Lin & Lin, 2011; Bindl & Parker, 2011; Moghimi & Subramaniam, 2013). The work environment has a direct impact on employees' motivation, attitudes, and behavior, which ultimately influence organizational productivity (Adenike, 2011). In other words, organizational climate is a critical factor for organizational sustainability, as it affects employee satisfaction, performance, and, ultimately, the organization's long-term success (Al-Saudi, 2012). According to Pereira and Rao, HRD climate is defined by OCTAPACE culture, which is essential for facilitating HRD. The OCTAPACE dimensions are explained as follows:

## Openness

Employees feel free to share ideas, concerns, and feelings without hesitation; Confrontation: Issues and problems are addressed constructively rather than avoided. Trust: Employees and managers believe in one another's integrity and take each other at face value; Autonomy: Employees are empowered to work independently with a sense of responsibility. Pro-activity: Employees are encouraged to take initiative and calculated risks; Authenticity: Individuals do what they say and uphold integrity; Collaboration: Teamwork and mutual support are emphasized, recognizing interdependence; Experimentation: The organization encourages trying out new ideas and innovative solutions.

HRD climate can thus be defined as an organizational environment where employees enjoy freedom of expression and association, can openly discuss work-related issues without fear of criticism, and are trusted and supported in acquiring new competencies throughout their careers. It is a culture that grants employees autonomy, motivates them to take initiative, promotes authenticity, nurtures collaboration, discourages favoritism, encourages self-awareness, and emphasizes team spirit. Managers treat employees as valuable assets and recognize that developing employee competencies is an essential managerial responsibility.

HRD effectiveness, on the other hand, can be assessed through several outcomes such as Improvement in productivity and profitability, Increased customer and stakeholder satisfaction, Enhanced employee loyalty, commitment, and retention, Development of innovative and creative capabilities, Positive changes in employee attitudes and behaviour, Strengthened decision-making capacity of the workforce, Reduction in employee turnover and unethical practices, Improved interpersonal relationships across management levels, Greater job-related knowledge and analytical skills, Better employee–customer interaction and communication

Together, HRD climate and HRD effectiveness represent two interdependent aspects of organizational growth and sustainability, with a positive climate serving as a foundation for effective human resource development outcomes.

## Literature Review

HRD effectiveness is measured by different models such as KIRPATRIK model, CIPP model, Galvin model etc., but KIRPATRIK model is most influential and popular model for measuring HRD effectiveness. The fifth level attempts to examine training in terms of organizational outcomes. Phillips (1991) confirmed that Kirkpatrick's model is probably the widely accepted framework for classifying different areas of evaluation. The result of survey conducted by ASTD (1997) indicated that majority (81%) of HRD managers attached importance to evaluation and over half (67%) applied Kirkpatrick's model. The model was assessed as a valuable framework designed with five levels of measurement to evaluate the effectiveness of educational training. The widely accepted framework for the evaluation of training program has originated from Kirkpatrick. Kirkpatrick's model is consistent with a goal – focus approach (Dixon, 1996; Gordon, 1991; Phillip, 1991, 1997).

**Kirpitrick's Model of HRD evaluation:**

**Level 1 -** Reaction, Satisfaction, and Planned Action: Level 1 measures participants' satisfaction with a program as well as their plans to use what they have learned. Although most organizations evaluate at Level 1 exclusively, it should be noted that this level of evaluation does not guarantee that participants have learned new skills or knowledge or will use them on the job.

**Level 4 -** Business Impact: Level 4 measures the extent to which business measures have improved after training. Typical Level 4 measures are output, quality, costs, and time. It is important to go beyond Level 4 business results, however, because even if the training program results in substantial business improvement, there is still a concern that the program's costs may outweigh its business benefits.

**Level 5 -** Return on Investment (ROI): ROI is the ultimate level of evaluation. It compares the monetary benefits from the program with the program costs. Although the ROI can be expressed in several ways, it is usually presented as a percentage or cost/benefit ratio.

## Objectives of the Study

i) To examine the relationship between HRD climate and HRD effectiveness in the selected banking enterprises in Bangladesh.

ii) To describe the status of HRD climate in the selected banking enterprises of Bangladesh.

### Research Gap: Gap

No significant study has been conducted to explore the scenarios of HRD climate and its relationship with HRD effectiveness in selected banking enterprises of Bangladesh. Jahan (2014) examined the HRD systems of various enterprises, including banking and non-banking financial institutions, as well as cement, ceramic, and jute industries. However, that study did not address HRD effectiveness or HRD climate. Similarly, Sikder et al. (2010) investigated differences in HRD climate between public and private sector enterprises but did not examine the relationship between HRD climate and HRD effectiveness.

Refat et al. (2025) highlighted that equitable recruitment and selection practices and workplace environment are critical for male employees, while safety, security, training, and development play a crucial role for female employees. Nevertheless, their study did not cover HRD climate. Human Resource Development (HRD) practices such as training, mentoring programs, career progression, and innovation development are strongly linked with Perceived Support for HRD Practices (PSHRD). These practices not only enhance employees' skills and capabilities but also reflect an organization's commitment to employee well-being and professional growth (Zaigham & Malik, 2024). Sustainable Human Resource Management (SHRM) practices, which deliver long-term benefits for employees, organizations, and society, also positively influence employee performance (Malik, Yukun & Khan, 2020). PSHRD further reflects the extent to which employees perceive their organization as actively and sincerely supporting their professional growth and development. This perception is critical, as it shapes employees' attitudes, behaviors, commitment, and intention to remain within the organization (Khaliq et al., 2025). However, these studies did not directly address HRD climate and HRD effectiveness.

Kamrujjaman et al. (2014) investigated the HRM dimensions of the private banking sector in Bangladesh, while Mohiuddin et al. examined intellectual capital performance in Bangladeshi commercial banks. Likewise, Nasrul et al. (2006) studied HRD practices in the textile, steel, and pharmaceutical industries. Yet, none of these studies explored the status of HRD effectiveness or HRD climate in the selected banking enterprises of Bangladesh.

### Relevance to the Bangladeshi Banking Sector: Empirical Evidence and Data (Significance of the Study)

Multiple studies in Bangladesh provide supporting evidence that many of the HRD effectiveness outcomes are already relevant, though often only partially addressed. The following findings show how gaps in HRD climate and HRM/HRD practices are linked with weaker effectiveness, and where improvements may yield substantial benefits:

Islam, Sarker & Islam (2018) found that HRM practices including training & development, job satisfaction, promotion, compensation & rewards are significantly related to employee satisfaction in private commercial banks in the Sylhet region. Their model explained about 57.3% of variation in job satisfaction. The study conducted by Khan (2022) in the selected private banks in Sirajganj and Bogura showed that many HRM dimensions (compensation, reward, career growth, training & development, job design) are sources of dissatisfaction for employees. In "Determinants of Employee Job Satisfaction: An Empirical Analysis of the Banking Sector in Bangladesh" (Begum et al., 2023), using data from 160 bank employees (public & private), the study found that job pressure, supervision, job security, training & development significantly impact overall job satisfaction which suggests employees see training & development as important—which is a component of HRD climate. Although sample size is modest, this links HRD climate elements to satisfaction. The

study "Factors that are influencing the Employee job satisfactions in private banking sector of Bangladesh: An empirical analysis" (Kundu, Hasan & Hossain, 2022) revealed significant positive relationships between compensation policy, empowerment, performance appraisal, and job satisfaction. However, the workplace environment had insignificant effect in that study. Suggests that some climate components (empowerment, appraisal) are functioning in banks, but others (environment) are weaker or inconsistent. Helps illuminate gaps in HRD climate relevant to effectiveness.

Research using the SERVQUAL model among Bangladeshi banking customers by Yousuf.et.al, (2024) revealed that variables such as reliability, responsiveness, assurance, empathy significantly affect customer satisfaction. These are service delivery outcomes that HRD effectiveness would influence via employee behaviour, communication skills, and attitude. The study conducted by Rahman.et.al (2021) focused on improving customer satisfaction strategies in Bangladesh's banking sector underscores that service quality, digital service, and financial inclusion are major competitive differentiators.

A recent study by Basher et.al (2025) confirmed that Sustainable HRM (SHRM) practices in Bangladesh banks significantly improve employee satisfaction and organizational commitment, which in turn enhance corporate reputation and financial success. Key practices include equitable remuneration, career progression schemes, and work–life balance initiatives. In "Socially Responsible HRM, Employee Attitude, and Bank Reputation" (Bangladesh) with a large sample (N = 711 from 57 banks), SR-HRM practices were found to be significantly associated with reduced turnover intention and enhanced bank reputation, mediated by employee attitudes. These outcomes map closely to HRD effectiveness (employee loyalty, retention, attitudes, behaviour).

The persistently low investment in training, rising employee turnover, limited career growth opportunities, and inadequate support infrastructure for female employees collectively indicate that the HRD climate in many Bangladeshi banks remains suboptimal. Such shortcomings in critical HRM/HRD dimensions weaken employees' perceptions of organizational support, resulting in reduced motivation, loyalty, and overall performance. However, existing evidence clearly demonstrates that strengthening HRM and SHRM practices—such as comprehensive training and development programs, equitable compensation, work–life balance initiatives, and improved workplace infrastructure—can lead to higher employee satisfaction, stronger organizational reputation, lower turnover intentions, and enhanced customer satisfaction. Consequently, examining the relationship between HRD climate and HRD effectiveness in the Bangladeshi banking sector is not only a matter of academic relevance, filling a critical research gap, but also an urgent practical necessity. Without such improvements, banks risk talent loss, reputational decline, and

competitive disadvantage in an increasingly dynamic financial landscape.

## Methodology of the Study

### Research Hypothesis

**Null Hypothesis:** There is no statistically significant relationship between HRD effectiveness and HRD climates of the selected banks in Bangladesh

### Sample Design

**Population and Sampling:**

There are currently 56 commercial banks operating in Bangladesh. The banks that began operations before 1991 are considered first-generation banks, totalling 16 institutions. The second-generation banks, numbering 8, started operations between 1991 and 1999. Another 8 banks, classified as third-generation banks, commenced operations between 1999 and 2010. Additionally, 9 banks have been established from 2011 to the present and are classified as fourth-generation banks. Alongside these local banks, there are also 10 foreign banks operating in Bangladesh.

Based on 25 years of banking experience, a sample frame of $N_O = 36$ commercial banks was selected. Using Yamane's (1967:886) formula, with a 95% confidence level and 5% precision ($e = 0.05$), the calculated sample size was 32 banks. However, to make the study more representatives, all 36 banks in the sample frame were considered. These 36 banks were selected randomly, ensuring proportional representation of public, private, and foreign banks. Accordingly, the final selection included 5 public banks, 28 private banks, and 3 foreign banks.

From each of the 36 banks, 4 branches were selected purposively using the purposive sampling method. Two executives from each branch, each having at least 5 years of banking experience, were chosen as respondents. This resulted in an initial sample of $36 \times 4 \times 2 = 288$ respondents. However, 52 respondents were excluded from the analysis due to providing identical responses to the questionnaire items. Consequently, the final sample consisted of 236 valid respondents.

### Methods of Data Collection and Survey Instruments

Commercial banks operating in major cities of Bangladesh, such as Dhaka and Chittagong, were selected for data collection, as these cities play a pivotal role in the country's economic development. The survey instrument consisted of two main parts. Part 1 captured the basic demographic information of respondents, including age, gender, educational qualification, salary, designation, and years of experience. Part 2 measured the HRD climate, HRD effectiveness, and the

association between the two variables.

The data collection instrument was designed based on Kirkpatrick's (1998) Four-Dimensional Model of HRD Evaluation and Becker's (1964) Human Capital Theory. Demographic questions were included to describe the characteristics of the sample. HRD effectiveness was measured using four dimensions of HRD evaluation, represented by 20 items derived from Barker (1997), Barcala et al. (2000), Wilson (2000), Pau (2001), Price (2001), Tai (2006), and Al-Eisa et al. (2009). Among these, six items were adopted, seven were adapted, and seven were newly developed to capture HRD effectiveness in the selected banking institutions.

HRD climate was measured using the eight dimensions of the 'OCTAPACE model' (Singh, 2022), assessed through 13 items. The dimensions included Openness, Confrontation, Trust, Autonomy, Pro-activity, Authenticity, Collaboration, and Experimentation.

### Methods of Analysis

The study applied multiple regression analysis to examine the underlying relationship between HRD climate and HRD effectiveness, as perceived by bank officials, using SPSS (Statistical Package for the Social Sciences) version 26.0.

### Reliability Analysis of Survey Instruments Through Chronbach's Alpha

Chronbach's Alpha is designed as a measure of internal consistency. It answers the question whether all the items in the survey instruments/ questionnaire measure the same things. Alpha is measured on the same scale as a Pearson r (correlation co-efficient) and typically varies between 0 and 1. The closer the alpha is to 1.00, the greater the internal consistency of items in the instruments being assessed. A rule of thumb that applies to most situations is:

## Findings of the Study

### The Relationship Between HRD Climate and HRD Effectiveness in Some Selected Banking Enterprises

The null hypothesis for this study stated that there is no statistically significant association between HRD Effectiveness (HRDE) and HRD Climate (HRDC). Table 1 reports the results of the regression analysis, where HRDC was used as the independent variable and HRDE as the dependent variable. The results clearly indicate a positive association between HRDC and HRDE. The p-value is 0.000 ($p < 0.05$), which leads to the rejection of the null hypothesis of "no statistically significant association between HRDC and HRDE." Therefore, it can be concluded that there is a statistically significant and positive relationship between HRD Climate and HRD Effectiveness in the selected banking enterprises.

α>0.9------Excellent, α>.8-----good, α>.7-----acceptable, α>.6-----questionable, α>.5-----poor, α<0.5-----unacceptable.[5]

Cronbach's Alpha of climate of HRD on 5-point scale:

### Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | NO of Items |
|---|---|---|
| .661 | .760 | 13 |

Source: Author's calculation by using SPSS—26.0

So, for the study reliability for the items measuring HRD climate is acceptable.

Factor Analysis for HRD philosophy and HRD effectiveness:

The KMO (Kaiser-Meyer-Olkin) and Bartlett's tests assess data suitability for factor analysis, with KMO measuring overall sampling adequacy and Bartlett's test evaluating if the correlation matrix is sufficient for factor extraction. A KMO score above 0.5 or 0.6 (depending on the scale used) and a significant p-value (below 0.05 or 0.01) from Bartlett's test are required to proceed with factor analysis.

### KMO and Bartlett's Test for Measuring Factor analysis of HRD philosophy

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .841 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 931.095 |
| | df | 78 |
| | Sig. | .000 |

Source: Author's calculation by using SPSS—26.0

### KMO and Bartlett's Test for Measuring Factor analysis of HRD Effectiveness

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .831 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 1693.222 |
| | df | 190 |
| | Sig. | .000 |

Source: Author's calculation by using SPSS—26.0

Demographic Information of the study:

### Gender of Respondents

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Male | 192 | 81.4 | 81.4 | 81.4 |
| | Female | 44 | 18.6 | 18.6 | 100.0 |
| | Total | 236 | 100.0 | 100.0 | |

Source: Author's calculation by using SPSS—26.0

### Age of the respondents

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 18-25 | 3 | 1.3 | 1.3 | 1.3 |
| | 26-35 | 173 | 73.3 | 73.3 | 74.6 |
| | 36-45 | 38 | 16.1 | 16.1 | 90.7 |
| | 46-55 | 20 | 8.5 | 8.5 | 99.2 |
| | 56-above | 2 | .8 | .8 | 100.0 |
| | Total | 236 | 100.0 | 100.0 | |

Source: Author's calculation by using SPSS—26.0

### Marital Status

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | single | 56 | 23.7 | 23.7 | 23.7 |
| | married | 178 | 75.4 | 75.4 | 99.2 |
| | 3.00 | 1 | .4 | .4 | 99.6 |
| | 4.00 | 1 | .4 | .4 | 100.0 |
| | Total | 236 | 100.0 | 100.0 | |

Source: Author's calculation by using SPSS—26.0

**Analysis of the above table-1:**

Adjusted $R^2$ =0.309 (30.9%),

This means that changes in HRD climate account for about 30.9% of the changes in HRD effectiveness. If HRD climate improves by 1%, HRD effectiveness is expected to improve by about 0.309% (30.9% of that 1%).Similarly, if HRD climate improves by 10%, HRD effectiveness would improve by about 3.09% (10 × 0.309).The above table show how the HRD climate (how supportive and development-focused the workplace is) affects HRD effectiveness (how well employees grow, improve skills, and contribute to the organization).The results clearly show that there is a strong and positive link between these two factors such as when the HRD climate is good, HRD effectiveness goes up. If the workplace is supportive, gives fair opportunities, and invests in employee development, employees become more

### Table-1: Association between HRD climate (HRDC) and HRD Effectiveness (HRDE)

| variables | Unstandized co-efficient | standard error | t-value | significance |
|---|---|---|---|---|
| C | 1.056 | . .095 | 11.168 | 0.000 |
| HRDC | .442 | .043 | 10.237 | 0.000 |
| Multiple Regression, R | .556 | | | |
| Adjusted R Square | 30.9% | | | |
| standard error of the error | .36328 | | | |
| F- Statistics p-value | 104.790 (0.000) | | | |

Source: Author's calculation by using SPSS—26.0

skilled, loyal, motivated, and productive. The model shows that about 31% of the improvements in HRD effectiveness can be explained by HRD climate alone. This means HRD climate is a very important factor, but there are also other things (like leadership style, company culture, policies) that influence HRD effectiveness.

Constant (1.056): Even if the HRD climate was very poor, there would still be a basic level of HRD effectiveness in the banks studied.

HRD Climate Coefficient (0.442): For every 1-point improvement in HRD climate (for example, better training programs or fairer promotion practices), HRD effectiveness increases by nearly half a point (0.442). This is a big improvement.

Significance ($p < 0.001$): This means we are more than 99.9% confident that this result is not by chance. In other words, it is a very reliable finding.

F-Statistic: This shows that the overall model works well and that HRD climate really does make a difference.

Standard Error (0.36): This is small, which means the predictions made by the model are reasonably accurate.

Implication for Commercial Banks:

These results are a strong message for bank leaders and decision-makers. If banks invest more in creating a positive HRD climate—through better training, fair promotion opportunities, mentoring, work-life balance programs, and a supportive environment—they can significantly improve employee performance, satisfaction, and loyalty. On the other hand, if HRD climate remains weak, banks risk losing good employees, facing lower productivity, and struggling with higher costs due to turnover and poor service quality

**Analysis of the above table-2:**

This ANOVA (Analysis of Variance) table tells us whether there are statistically significant differences in HRD effectiveness scores based on HRD climate levels among the banks studied.

Between-Groups Sum of Squares (21.274):

This represents the variation in HRD effectiveness caused by differences in HRD climate across different groups (banks).

Within-Groups Sum of Squares (23.436):

This is the variation that exists within each group — differences that cannot be explained by HRD climate (random individual differences).

F-Value (5.366):

This is the main test statistic. A higher F-value means the differences between groups are not just random — they are meaningful.

**Table-2: ANOVA**

| | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Between Groups | 21.274 | 34 | .626 | 5.366 | .000 |
| Within Groups | 23.436 | 202 | .117 | | |
| Total | 44.710 | 236 | | | |

Source: Author's calculation by using SPSS—26.0

Significance Level (Sig. 0.000)

This value is extremely small (less than 0.001), which means the result is highly statistically significant.

In simple terms, we can be more than 99.9% sure that HRD climate really does create differences in HRD effectiveness — it is not happening by chance. There are real and meaningful differences in HRD effectiveness across banks with different HRD climates. Banks with better HRD climates have noticeably higher HRD effectiveness compared to those with weaker climates. This confirms the idea that improving HRD climate directly leads to better employee development outcomes.

The Pearson correlation value (r = 0.556) means there is a moderately strong positive relationship between HRD climate and HRD effectiveness. Since the p-value = 0.000 (< 0.01), the relationship is statistically significant. In simple words: when HRD climate improves, HRD effectiveness also tends to improve

## The Scenarios of HRD Climate on Some Selected Banking Enterprises

The scenarios of different components of HRD climate and HRD effectiveness were measured on a five-point Likert scale (1 = Strongly Agree, 2 = Agree, 3 = Neutral, 4 = Disagree, 5 = Strongly Disagree) in this study. Since there is a positive association between HRD climate and HRD effectiveness, financial institutions should focus on developing and strengthening key components of HRD climate, including 'Openness' (2.0593), 'Confrontation' (2.0975), 'Autonomy' (2.4873), 'Pro-action' (2.2542), 'Authenticity' (2.2797), 'Employees are helpful and collaborative' (2.1229), 'Employees treated as most valuable' (2.0339), 'Perception of developing employees' (2.1186), 'Tendency to

**Table: 3 Correlations**

| | | effectiveness | hrd4 |
|---|---|---|---|
| effectiveness | Pearson Correlation | 1 | .556** |
| | Sig. (2-tailed) | | .000 |
| | N | 236 | 236 |
| hrd4 | Pearson Correlation | .556** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 236 | 236 |

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Author's calculation by using SPSS—26.0

discourage favouritism' (2.4153), 'Development-oriented rewards' (1.9661), 'Helping employees recognize strengths and weaknesses' (1.9873), and 'Team spirit' (1.8093). Focusing on these elements will enable financial institutions to survive, sustain, and grow in a competitive environment while achieving the benefits of HRD effectiveness. The trends in several components of the HRD climate—such as 'Trust' (1.9661), 'Development-oriented rewards' (1.9661), 'Helping employees recognize strengths and weaknesses' (1.9873), and 'Team spirit' (1.8093)—represent a good and positive scenario in the selected banking enterprises. Therefore, banks should continue to maintain and strengthen these positive components to remain competitive. On the other hand, several components—such as 'Openness' (2.0593), 'Confrontation'(2.0975), 'Autonomy' (2.4873), 'Pro-action' (2.2542), 'Authenticity' (2.2797), 'Employees are helpful and collaborative' (2.1229), and 'Employees treated as most valuable' (2.0339)—are relatively weaker compared to the stronger components mentioned earlier. Hence, banking enterprises should prioritize improving these weaker components of the HRD climate to achieve a more balanced and effective HRD environment.

## Conclusion and Recommendations

The study reveals that there is a positive relationship between HRD climate and HRD effectiveness in the selected banking enterprises. Organizations that aim to make their HRD effective must ensure that all components of the HRD climate are well-developed. One of the key factors for organizational success is HRD effectiveness, as all HRD practices are significant predictors of organizational performance (Kareem, 2019). Since there is a positive association between HRD climate and HRD effectiveness, financial institutions should focus on improving the various components of the HRD climate.

Components such as 'team spirit', 'helping employees recognize their strengths and weaknesses', 'development-oriented rewards', and 'trust' represent positive aspects of the HRD climate in the selected banking enterprises in Bangladesh. However, several other components—such as 'openness', 'confrontation', 'autonomy', 'pro-activeness', 'authenticity', 'employee helpfulness and collaboration', and 'treating employees as valuable assets'—are comparatively weaker. Therefore, banking enterprises should give special attention to improving these weaker components of the HRD climate to achieve higher HRD effectiveness and overall organizational success.

## Managerial Implications of the Study

This study confirms the significance of the HRD climate and its positive relationship with HRD effectiveness (Walia et al., 2013). HRD effectiveness is an important determinant of organizational success (Kareem, 2019). The findings of this study can help top- and mid-level managers in financial organizations to develop an effective HRD climate that improves employees' competencies and, in turn, enhances organizational effectiveness. Furthermore, this study recommends that managers adopt HRD practices aimed at building employees' competencies and fostering stronger integration between human resource development and organizational goals. Finally, this study highlights the crucial role of HRD managers in stimulating employees' skills, knowledge, and abilities, ensuring they can perform their tasks efficiently by maintaining a supportive HRD climate.

## Limitations of the Study

The study considers only HRD climate in some some selected banking sector of the country because of time and fund limitations. Some of the bank officials are not interested to disclose information because of rigid policy of top-level top level management.

## Direction for Future Research

Future research can be conducted regarding relationship of HRD climate and HRD effectiveness in other areas of Bangladesh. Research can also be conducted on HRD climate and HRD effectiveness in the health health sector, Tourism sector, Insurance sector, Judiciary sector etc.

## References


Absar,M.M.N. and Mahmood,M. 2011. New HRM Practices in the Public and Private Sector Industrial Enterprises of Bangladesh: A Comparative Assessment. International Review of Business Research Papers 7:118-136

Arif Hassan, (2007) "Human resource development and organizational values", Journal of European Industrial Training, Vol. 31 Issue: 6, pp.435-448.

American Society for Training and Development. (1997). HRD executive summary, measurement and evaluation. Retrieved April 9, 2002, from http www.astd.org.virtual_community/research/nhrd/nhrd_exeutive summary97me.hhhtm.

Banu, C. Vijaya ,thesis (2007). "A Study on HRD Climate with Special Reference to Public Sector Cement Corporation," Assistant Professor, School of Management, SASTRA University, Thanjavur, Tamil Nadu, India

Begum, H., Mehtaj, M., Babu, M. A., & Khatun, M. S. (2023). Determinants of Employee Job Satisfaction: An Empirical Analysis of the Banking Sector in Bangladesh. International Journal of Science and Business, 25(1), 229-244.

Chaudhary et al.(2011), "Relation between HRD climate and employee engagement", International Research Journal of Management Science and Technology. 2(3): 47-56.51

Choudhury, G., (2011). The Dynamics of Organizational Climate: An Exploration, Research Scholar, Faculty of Management Studies, Banaras Hindu University, Varanasi, 7(2): 111-116.

Dharmaraj ,A. and Sulaiman,I (2015). ' Employee's Perception of Potential Appraisal (A Study among Managerial Cadre Employees in Public Sectors in Kerala)', Bonfring International Journal of Industrial Engineering and Management Science, Vol. 5, No. 4, December 2015,pp.155-161

Darren George and Paul Mallery,SPSS—17,10 th edition. page-223,Reliability Analysis, Chapter 18.

Dixon, N. M. (1996). New roots to evaluation. Cornell Hotel and Restaurants Administration, 33(4), pp. 82-86.

El-Fekey, S. F. (2015). The Effect of Human Resource Development Practices on Creating Learning Organizations: An Empirical Study on the Banking Sector in Egypt. Journal of Business and Management Sciences, 3(4), 130-137

Ebimobowel et al. (2012), HRD practices on performance of public sectors account personals in Nigeria.

Farheen Hassan and Raisa Mehjabeen (2015), "Comparison between the HR practices of local and foreign banks in Bangladesh", International Journal of Applied Business and Economic Research, Vol. 13, No. 7 (2015): 5627-5661

Gordon, J. (n.d.). Measuring the"goodness" of training. Training, 28(8), 19-25.

Islam, M. S., Sarker, J., & Islam, M. M. (2018). Influence of HRM practices on employee job satisfaction: Evidence from private commercial banks in Bangladesh. Global Journal of Management and Business Research, 18(3), 1.

Khaliq, F., Zaigham, W., & Malik, S. Y. (2025). The Pakistan Healthcare Sector at Stake: Brain Drain of Pakistan Doctors.Health Sciences Journal,3(2), 89-94.

Khan et al.(2012) ., "An Empirical Presentation of HRD Climate and employee development in Telecommunication Industry: A Case Study of Indian Private Sector"Int. J. of Trade and Commerce- IIARTC. 1(1): 1-10.

Kulshreshtha (2010), HRD practices in public and private sector banks in India.

Kareem, M. A. (2019). The impact of human resource development on organizational effectiveness: An empirical study. Management dynamics in the knowledge economy, 7(1), 29-50.

Malik, S. Y., Yukun, C., & Khan, N. (2020). The effects of sustainable human resource management practices on employee performance: The moderating role of organizational commitment.Gomal University Journal of Research,36(1), 1-14.

Phillips, J. (1991). Handbook of training evaluation and measurement methods. (2nd, Ed.)

Phillips, J. (1997). A rational approach to evaluating training program including calculating ROI. J. Lend Credit Risk Manage, 79, 43-50.

Rahman, M. M., & Tahsin, S. (2021). Improving Customers' Satisfaction Strategies in the Banking Industry in Bangladesh. CenRaPS Journal of Social Sciences, 3(1), 86-99.

Rana, M. S. (2015). Job satisfaction effecting factors of employees in Bangladesh banking sector. International journal of Economics, finance and Management Sciences, 3(4), 352-357.

Rahman, M. R., Rahman, M. M., Miraz, M. S. H., & Rabbi, H. F. (2025). Stimulating job satisfaction through gender diversity: exploring the impact of HRM practices in the banking sector of Bangladesh. Journal of Management Development, 44(3), 386-414.

Saxena K., P Tiwari (2009) HRD climate in selected public sector banks: An empirical study.

Sobhani, F. A., Haque, A., & Rahman, S. (2021). Socially responsible HRM, employee attitude, and bank reputation: the rise of CSR in Bangladesh. Sustainability, 13(5), 2753.

Srimannarayana, M. (2010). HRD climate in the manufacturing sector in India. *Indian Journal of Industrial Relations, 46*(1), 101–114.

Singh, P. (2022 ). Understanding OCTAPACE culture through insights from ancient Indian texts. International Journal of Indian Culture and Business Management, , Vol.25 No.4, pp.516 - 528

Walia, K., Aggarwal, S., & Jangra, S. (2013). HRD Climate: A Comparative Study of Public Sector Banks. International Journal of Organizational Behaviour & Management Perspectives, 2(2), 226-256.

Yusuf, K. M., Alam, M. T. U., Saha, S. & Turja, I. F. (2024). Bangladeshi Banking: Customer Satisfaction Insights through SERVQUAL Model, International Journal of Science and Business, 40(1), 50-62. DOI: https://doi.org/10.58970/IJSB.2443

# The Future of Insurance in Emerging Markets
## Why InsurTech Matters Now

**Shakil Ahmad**

**The Author is an Associate Professor School of Business University of Creative Technology Chittagong**

*The article was reviewed by* ***Moinul Hye Asif*** *FCA*


## Abstract

Insurance Technology also known as InsurTech is a paradigm shift in the insurance industry through technological innovation. The application of cutting-edge digital technologies to enhance the efficiency, accessibility and affordability of insurance services is referred to as InsurTech. The chapter examines the revolutionary nature of InsurTech in changing the insurance landscape particularly on the relevance and influence of the technology in the emerging markets. Although conventional insurance models tend to be inefficient in most cases in the developing countries due to low penetration, inefficiencies and lack of trust, InsurTech presents new opportunities to address these old issues. InsurTech solutions including mobile-based platform, digital onboarding and real-time claim processing are allowing the opportunities to create an inclusive insurance coverage.

The chapter starts with the conceptualization and history of InsurTech and a discussion of the major drivers, advantages and disadvantages of the policy in emerging economies of InsurTech. Empirical evidence dating as far back as India, Kenya and Bangladesh can be found in the real world case studies and empirical evidence of how digital innovation is facilitating scalable, customer-centric insurance solutions. The discourse also presents regulatory, infrastructural and socio-economic considerations that determine the InsurTech implementation in various settings.



### Keywords

Emerging Markets, Financial Inclusion, Digital Transformation, Insurance Innovation, Technology Adoption, Developing Countries.


## Introduction

The insurance has always been a traditional part of any financial system which gives individuals and organizations an opportunity to manage risk, protect assets and promote long-term economic stability. The traditional insurance practices are performed by manual underwriting, paper records, network of agents and long claim settlement and procedures. Even though such conventional practices are sometimes effective, they are often slow, costly and ineffective particularly in regions of bad infrastructure and low technology development. Such limitations have resulted in low insurance penetration that is a constant in most of the emerging countries [1] [2]. The traditional insurance industry has been shaken in the recent past by a new wave of technological innovation. It is referred to as Insurance


Technology or InsurTech and it employs digital technologies such as AI, machine learning, big data analysis, blockchain, the Internet of Things (IoT) and cloud computing in various aspects of insurance activities. InsurTech is transforming the manner through which insurance services are availed to people making it accessible, affordable and more efficient. It achieves this by computerizing the whole process of acquiring new customers and policies as well as handling claims and searching of the scam. The change is particularly critical in emerging markets where the low-income, rural or undocumented individuals have frequently encountered difficulties in obtaining the kind of insurance they required using the old channels. In such cases InsurTech is the only opportunity to evade the outdated issues with the help of mobile applications, electronic payments and alternative information sources. The developing nations are turning out to be good locations where InsurTech can expand because there are more individuals joining the internet, there are more individuals purchasing smart phones and more governments are concerned about ensuring that everyone has access to money. The COVID-19 pandemic has accelerated the shift towards digital financial services even further, so it is even more necessary to adjust to this change in technology as soon as possible [3] [4].

Comprehending the scope, advantages, problems and future direction of InsurTech is crucial not only for insurance professionals and policymakers but also for students and prospective leaders in banking and finance. This chapter seeks to deliver a thorough examination of the InsurTech revolution particularly its ramifications for developing nations. The chapter is organized in the following manner: The discussion commences by delineating a conceptual framework for InsurTech and its fundamental technologies. It subsequently analyses the significance of InsurTech in emerging nations, identifies the principal factors driving its acceptance and underscores the advantages it provides to insurers, consumers and governments [5]. Critical challenges such as technological constraints and regulatory barriers are also addressed in the discussion. Practical implementations are illustrated through empirical data analysis and real-world case studies from countries including Kenya, Bangladesh and India. Ultimately, the chapter delves into the future prospects of InsurTech and provides implications for a variety of stakeholders such as educators and undergraduate students.

## Conceptual Framework of InsurTech

### Definition and Evolution of InsurTech

InsurTech, a combination of "insurance" and "technology," is the inventive application of emerging digital technologies to disrupt, improve and optimize the insurance value chain. Startups, traditional insurers and technology businesses work together to improve insurance operations and

**Figure-1: Traditional Model**

Customer → Agent → Paper Form → Manual Underwriting → Policy Issuance → Claim Process

**Figure-2: InsurTech Model**

Customer → Agent → Paper Form → Manual Underwriting → Policy Issuance → Claim Process

consumer experiences using tools like artificial intelligence, data analytics, mobile applications and automation. InsurTech's growth may be traced back to the early 2000s when digital tools began to change banking and finance [6]. However with the global rise of FinTech in the 2010s, its true momentum picked up speed. In order to overcome inefficiencies in underwriting, customer onboarding, pricing, policy management and claims processing, the specialized industry known as InsurTech was born. InsurTech businesses are flexible, data-driven and customer-focused which are critical for competing in the digital age, in contrast to traditional insurers that frequently take their time implementing change.

Table-1, Figures 1 and 2 indicate that InsurTech signifies a transition from inflexible, uniform insurance services to adaptable, customised and data-driven models. When advanced technology is employed in insurance, it leads to high efficiency in operations and it changes the expectations of the clients. It is a digital-first business model that provides a form of financial inclusion, affordability and scalability in new economic regions where traditional insurance has been challenged.

## Core Technologies Used in InsurTech

**Artificial Intelligence (AI):** Underwriting, customer support chatbots, fraud detection and predictive analytics are automated by AI. It allows insurers to decide in real time and offer individual solutions that will be guided by the specific behavioral pattern [7].

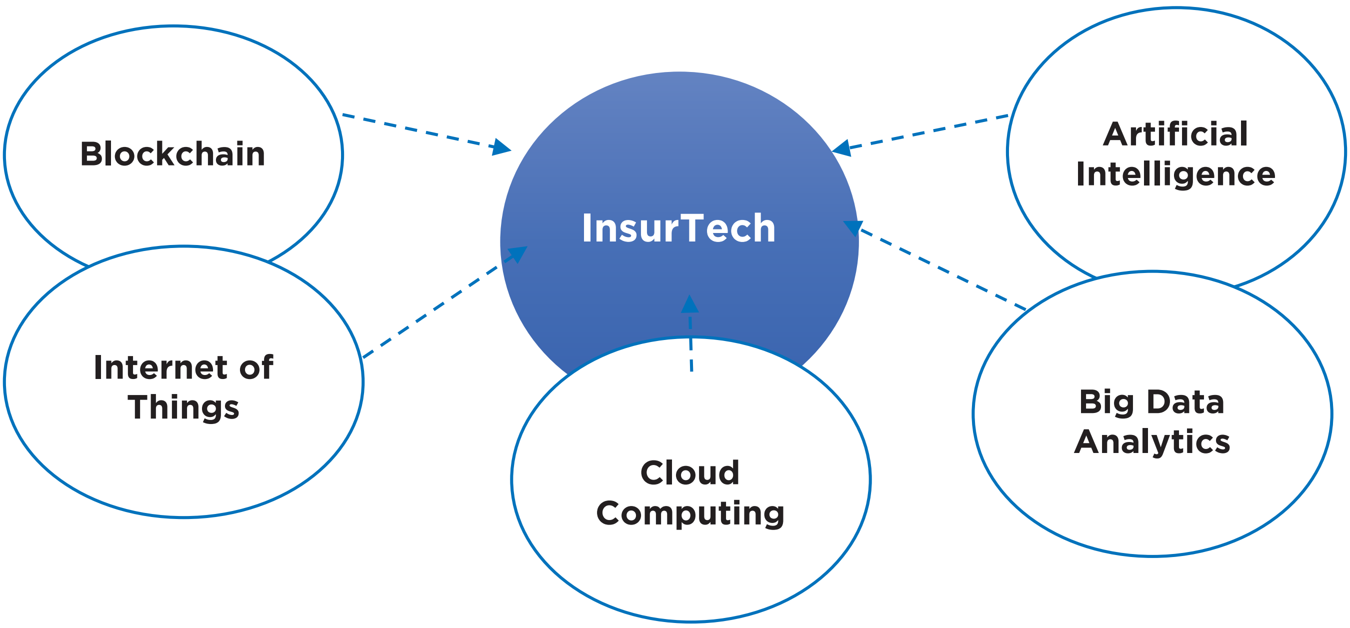
**Internet of Things (IoT):** IoT technologies like smartwatches, house sensors and vehicle telematics get real-time data to enhance risk analyses. An example is that driving data can be used to offer pay-as-you-drive insurance by motor insurers [8].

**Blockchain:** Blockchain ensures that the records of policy and payment of claims are transparent, secure and cannot

**Table-1: InsurTech vs. Traditional Insurance**

| Feature | Traditional Insurance | InsurTech |
|---|---|---|
| Customer Interaction | In person or agent based | Digital, mobile first and app based |
| Underwriting Process | Manual and slow | Automated and AI-driven |
| Claims Handling | Time consuming and paper based | Real-time and digital verification |
| Product Customization | Standardized offerings | Personalized and data-driven policies |
| Cost of Service | High administrative costs | Lower costs through automation and scale |
| Speed and Efficiency | Slower processes | Faster and agile operations |
| Data Usage | Limited to basic demographic information | Extensive use of behavioral and sensor data |

**Figure-3: Technologies Driving InsurTech**




be modified. Smart contracts enable the automatizing and ensuring the policy-observance without the assistance of a human. This reduces frauds and setbacks [7] [8].

**Big Data Analytics:** Big data are used by the insurance companies to analyze consumer behavior, market trends and risk profiles. This allows the creation of dynamic pricing models and better consumer segmentation especially where there is little historical information available in the market [9].

**Cloud Computing:** Cloud infrastructure supports scalability, real-time processing, sharing of data and access to the systems remotely. It minimizes the cost and increases the efficiency of the insurers dealing with many geographical locations [10].

## Importance of InsurTech in Emerging Markets

Emerging markets which include much of Asia, Africa and Latin America present both the biggest challenge and potential for the global insurance sector. While these regions account for a sizable share of the global population, insurance penetration remains disproportionately low. The use of Insurance Technology provides a disruptive avenue to addressing long-standing difficulties, expanding coverage and promoting financial resilience.

## Challenges of Traditional Insurance in Developing Countries:

In numerous developing countries less than 5% of the populations have official insurance coverage. In Bangladesh and some parts of the Sub-Saharan Africa, the majority of households do not have health, agricultural and natural calamity insurance covers. The traditional insurance relies heavily on networks of agents and brick and mortar offices normally found in urban areas and consequently fail to cover the rural and remote populations. Paper based claims processing and administration expenses make insurance products expensive and unaffordable to low-income


population brackets. Many potential policyholders consider insurers as slow to pay the claims or unfair to settle claims, which causes mistrust in formal insurance. Conventional insurance products are often standardized and they do not take into account the special needs of small-scale farmers, informal employees and micro-entrepreneurs [11] [12].

### How InsurTech Addresses These Challenges

The costs of running an insurance company are reduced by automation, cloud-based and AI-driven underwriting that allow them to charge low rates. Companies are now able to access the customers who are miles away without necessarily establishing actual offices. Onboarding digitally instant issuance of policies and claims that can be handled in real time all make the customers happier and reduce waiting times. Cryptographic records and contracts provided by blockchain systems cannot be modified which increases confidence in the claims process. Through IoT and big data insurers of goods can produce fitting goods to the unique lifestyle of people such as pay-as-you-go health insurance or indexed crop insurance based on the weather [13].

### Role in Financial Inclusion and Resilience

**Role in Financial Inclusion:** Insurtech is a significant contributor to financial inclusion that allows people who previously could not afford official insurance services to obtain them. Through reduced prices and simplified actions InsurTech assists those who are vulnerable to be caught off guard by their income due to the problems such as illness, accidents and natural calamities [14].

**Role in Financial Resilience:** Regarding financial resilience digital insurance can help families and businesses to bounce back quickly following disasters. Parametric insurance models can provide automatic payments in response to triggers in the form of rainfall levels without needing extensive claims investigation [15].

## Key Drivers of InsurTech Adoption in Emerging Markets

The growth of InsurTech in the new markets did not occur because of one factor; it is because of a mixture of factors both technological, economic and social factors, that are conducive to innovation. Understanding these drivers is of paramount importance to understand why technology is being adopted in the developing countries at an increased rate and how it can be maintained in the long term [16] [17].

### Increasing Mobile and Internet Penetration

The developments of the mobile networks and affordable smartphones have been one of the greatest factors that have helped to adopt InsurTech. More than 80 percent of the populations in countries such as Bangladesh, Kenya and India have access to a mobile phone hence making it the right place to offer digital insurance services. Customers are able to access information on insurance, purchase insurance policies and make claims without having to move to an office.

### Rising Middle Class and Urbanization

Emerging markets are recording a steady economic growth which has led to the development of a middle-income group that demands financial insurance of health, property and income. Urbanization has increased susceptibility to risks such as road car accidents, health epidemics and property destruction thereby augmenting the insurance-solution need. InsurTech companies could use this demand to offer affordable and personalized products through online channels.

### Growth of the FinTech Ecosystem

Mobile banking, digital payments and e-commerce have made the customer base digitally savvy and able to comfortably conduct financial transactions over the internet. Mobile wallets and payment gateways are currently also connected to micro insurance products in a number of countries where clients can now use their smartphones to pay premiums and get claims. FinTech ecosystem is therefore one of the entry points to digitizing insurance solutions.

### Low Millage Rebate

Some of the emerging market governments have recognized the importance of digital innovation in promoting financial inclusion. Regulatory sandboxes are regulated environments that regulatory bodies are using to allow InsurTech startups to test new products in less strict compliance conditions. An example of that kind of policy that encourages experimentation and protects consumer interests includes the sandbox created by the Insurance Regulatory and Development Authority (IRDAI) of India as well as the draft guidelines of digital insurance in Bangladesh.

### Increased Awareness of Risk Due to Global Crises:

Such incidents as the COVID-19 pandemic or natural disasters caused by climate change and economic shocks have made people more aware of the significance of risk protection. The pandemic led to a high consumption of health insurance in various countries and InsurTech firms capitalized on the situation and used it to sell more insurance products. The experience had demonstrated the usefulness of fast, distant and contactless insurance services.

### Technological Advancements in Data and Analytics

The availability of big data and AI-based analytics can help InsurTech firms to better assess risk, competitively price policies and offer products which are more tailored to the lifestyle of individuals. This is the ability that is quite beneficial in new markets where historical records of credit and risk assessment information is often lacking.

### Partnerships and Ecosystem Collaboration:

The collaboration among insurers, telecommunications firms, microfinance institutions and technology suppliers has expedited the implementation of InsurTech. In Bangladesh mobile operators collaborate with insurers to provide low-cost micro insurance integrated with mobile services, whilst in Kenya, M-Pesa's alliance with micro insurers has delivered affordable coverage to millions.

## Benefits and Opportunities of InsurTech

The growth of InsurTech in emerging countries is more than just a change in technology; it's a chance to change how insurance is accessible, how efficiently it works and how much value it creates. InsurTech can close the security gap, improve customer experiences and boost economic growth by using digital tools and new ways of doing business [18] [19].

### Benefits for Consumers

Individuals are able to purchase, manage and claim without any geographical restrictions through the use of mobile platforms and online portals. This is particularly advantageous for rural populations that until recently were unable to access tangible insurance offices. Insurers are able to provide more flexible payment options and lower premiums by reducing administrative costs through automation and digital processes. Micro insurance products enable customers to pay small amounts at regular intervals as opposed to large lump quantities. AI and data analytics enable the development of policies that are optimized for the unique requirements of each individual including customized health coverage, weather-indexed crop insurance and usage-based auto insurance. Automated verification processes and real-time data from IoT devices facilitate instant or near-instant payments thereby enhancing satisfaction and trust.

### Benefits for Insurers

AI-driven fraud detection, digital underwriting and automated claims processing cut costs and enhance accuracy. Digital channels and partnerships with telecom and finance companies let insurers reach neglected populations cheaply. Large behavioral and demographic data improves risk assessment, targeted marketing and product creation. By offering new, customer-centric solutions, early technology adoption helps insurers stand out in competitive markets.

### Benefits for Governments and Economies

InsurTech helps national financial inclusion strategies by making coverage more affordable for people with low incomes. People and small businesses can heal faster from disasters when they have insurance which means they don't have to rely on government aid programs as much. As InsurTech grows it attracts investors, creates jobs and makes it easier for people in the banking and technology sectors to work together.

### Opportunities in Emerging Markets

Affordable insurance for micro enterprises, small-scale farmers and informal labour has huge unrealized potential. Increased adoption can be achieved by incorporating insurance products into existing digital services including ridesharing applications, online marketplaces or mobile banking. Solutions to problems with claim verification can be products that initiate payouts in response to certain data points (such as the amount of rainfall or the size of an earthquake). Insurance coverage that migrant workers may buy and control online can help them provide for loved ones back home. Many developing economies are particularly at risk from climate-related catastrophes; InsurTech has the potential to provide scaled solutions for adaptation & resilience.

## Challenges and Risks of InsurTech

Although InsurTech offers significant potential to revolutionize the insurance sector in developing economies, its implementation faces numerous challenges. The distinctive socio-economic, infrastructural and regulatory contexts in emerging economies pose numerous issues that must be resolved for sustainable growth. Comprehending these dangers is crucial for formulating successful tactics and guaranteeing that technological innovation yields equitable advantages [20] [21] [22].

### Technological Barriers

Access to digital insurance platforms is restricted in numerous rural and remote regions due to inconsistent mobile network coverage and unreliable internet connectivity. Many potential customers particularly those in rural communities and older age groups may not possess the


necessary skills to navigate mobile applications or online platforms. Despite the increasing prevalence of smartphones, a portion of the population continues to rely on rudimentary feature phones, necessitating that insurers develop solutions that are based on USSD or SMS.

### Regulatory and Legal Challenges

The legal frameworks that are in place in a number of developing nations were created specifically for traditional insurance and they may not be sufficient to address issues such as blockchain contracts, artificial intelligence-based underwriting or digital products. It is not uncommon for startups to have to contend with regulatory approval processes that are both lengthy and expensive which can have a negative impact on the rate of innovation. Inconsistent legislation causes compliance difficulties for digital platforms that conduct business in a number of different nations.

### Cybersecurity and Data Privacy Risks

InsurTech platforms are perceived as attractive targets for cyberattacks due to their handling of substantial amounts of personal and financial data. Some emerging markets have weak or inadequately enforced privacy regulations which expose consumers to the potential misuse of their data. Public confidence may be undermined and adoption may be impeded by high-profile data breaches.

### Financial and Operational Risks

Funding is a problem for many InsurTech firms especially in countries with weak venture capital ecosystems. It can be challenging for startups to raise awareness & trust in innovative insurance arrangements since they sometimes demand large marketing expenditures. Rapid expansion without sufficient infrastructure might result in unhappy customers and service interruptions.

### Cultural and Behavioural Barriers

Customers may view insurance as superfluous or have mistrust in claims processes in areas where insurance penetration has always been low. There are certain customers who might be hesitant to switch from face-to-face interactions with agents to more impersonal digital interfaces.

### Market Competition and Disruption Risks

Insurers who have been in business for a long time may push against regulatory improvements that are in favour of new companies that operate mostly online. Operational risks can be created as a result of relying on third-party technology suppliers for essential activities. InsurTech businesses priorities acquiring users quickly and do not give much thought to profitability in the long term.

## Case Studies and Countries Examples

To demonstrate InsurTech's disruptive potential in emerging nations, real-world applications must be examined where technology has fundamentally transformed the insurance environment. The case studies below from India, Kenya and Bangladesh show how creative solutions address long standing market constraints and provide new potential for financial inclusion.

### India: Policybazaar and the Rise of Digital Insurance Aggregators

Historically, India's insurance penetration rate has been around 3-4% of GDP which is notably lower than the global average. The intricate nature of policy, coupled with inadequate financial literacy and dependence on traditional paper-based systems has constrained market expansion.

- **Innovation:** With the debut of Policybazaar in 2008, consumers were able to easily compare insurance policies from different providers using web and mobile platforms.
- **Technologies Used:** Personalized suggestions through AI, scalable cloud computing and frictionless digital payment mechanisms.
- **Impact:**

• Enhanced availability for people living in semi-urban and rural areas.

• Made it easier to compare products, therefore reducing information asymmetry.

• Increased insurance penetration steadily during the past decade.

- **Lesson for Emerging Markets:** One way that aggregator platforms can help first-time policy buyers overcome the trust gap is by providing them with educational resources and an easy on boarding process.

### Kenya: M-TIBA and Micro-Insurance for Healthcare

Kenya encountered a significant deficiency in health insurance coverage with merely 20% of the population possessing formal insurance by the mid-2010s. Affordability, inconsistent incomes and geographical obstacles impeded adoption.

- **Innovation:** M-TIBA is an insurance and mobile health wallet platform that lets people pay for medical services with their phones.
- **Technologies Used:** Infrastructure for mobile money (M-Pesa), communication through short message service (SMS) and record keeping in the cloud.
- **Impact:**

• Made prepaid health services available to low-income families.

• Medical costs and financial shock are lessened.

• Developed a marketable strategy for affordable health insurance in Africa.

- **Lesson for Emerging Markets:** Using mobile payment systems that are already in place can quickly make insurance more available without having to rely on standard insurance networks.

### Bangladesh: bKash and Weather-Indexed Crop Insurance:

Agriculture provides a lot of jobs in Bangladesh but farmers are quite susceptible to weather-related disasters. High operational expenses and complicated claim procedures made conventional insurance difficult to grow.

- **Innovation:** The weather-indexed insurance was introduced through partnerships between bKash (the top mobile financial service provider in Bangladesh), local insurers and non-governmental organizations. When certain meteorological conditions are met such as a certain level of drought or flooding payouts are initiated automatically.
- **Technologies Used:** Weather sensors connected to the Internet of Things (IoT), satellite imaging,

blockchain-based smart contracts for automated payouts and mobile payment platforms.

- **Impact:**
- Decreased claim resolution duration from months to days.
- Enhanced confidence among farmers by being open and paying them on schedule.
- Better financial protection against climate changes.
- **Lesson for Emerging Markets:** Index insurance that is facilitated by technology has the potential to safeguard vulnerable sectors while simultaneously minimizing administrative expenses and moral hazard.

Common success factors in Bangladesh, Kenya and India include utilizing mobile-first solutions to fill in infrastructural gaps, making insurance products easier to understand for customers with low literacy levels, streamlining underwriting and claims using data-driven models and fostering trust through speed and transparency. These case studies highlight how accessibility, affordability and adaptability are fundamental to InsurTech's influence in emerging countries, even though the solutions differ depending on the situation (Table-2).

## Empirical Insights from India, Kenya and Bangladesh

A primary poll was carried out to capture real-world perceptions of InsurTech in emerging markets complementing the theoretical debate and case studies. With 150 individuals drawn at random from each of the three nations (India, Kenya and Bangladesh), the total number of people who took part in the study was 450. An online questionnaire was sent via email, social media and professional networks in order to gather data using a non-random sampling strategy. The purpose of the poll was to gauge people's knowledge, trust and opinions on insurance technology as well as its perceived advantages and disadvantages. By comparing and contrasting different countries this empirical data helps us better understand the opportunities and challenges of implementing InsurTech in different socioeconomic settings.

Table-3 shows that Indian respondents generally had more positive views regarding the advantages of InsurTech. 73.33% in India, 63.33% in Bangladesh and 55.33 % in Kenya agree that InsurTech helps lower costs. Kenyan respondents seem less satisfied which could be attributed to lower internet penetration or higher operating expenses whereas Indian respondents may have had more exposure to cost-effective digital insurance systems. Once again 70% of Indians think that InsurTech allows for fast claims processing, with 63.33% of Bangladeshis and 52.67% of Kenyans reaching the same conclusion. India and Bangladesh may have better developed claims management systems which could explain their higher perception scores but Kenya may have lower scores due to a lack of automation or delays in service. In all three countries the convenience of access is the benefit that people regard as most favorable. In countries like India, where smartphone penetration is high and internet access is widespread, this discovery emphasizes the importance of insurance apps for mobile devices in broadening access.

The findings (Table-4) indicate that all three countries encounter significant obstacles in the adoption of InsurTech. India seems to be in a more advantageous position in addressing these obstacles whereas Kenya indicates the greatest perception of challenges with Bangladesh positioned in the middle. In Kenya a notable 76.67% of respondents (strongly agree + agree) identify a lack of skills as a major barrier of concern. Bangladesh stands at 65.33% revealing skill gaps that are present albeit to a slightly lesser extent. India demonstrates a more favorable scenario with 63.33% agreement indicating a relatively higher level of digital literacy likely attributed to extensive digital initiatives and educational programs. In Kenya 72% of individuals view internet connectivity as a significant challenge while in Bangladesh this sentiment is echoed by 63.33% of the population. India shows a 59.33% agreement suggesting improvements in infrastructure and more extensive internet coverage relative to the other two nations. The difficulty of high digital device costs is regarded more similarly across countries. Kenya and India both have 64.67% agreement with Bangladesh significantly lower at 57.33%. This shows that the affordability of cellphones, computers and related gadgets remains a barrier however this may be addressed by increased access to low-cost devices in Bangladesh. Uncertainty regarding Regulations or Legal Protections: Bangladesh is the most concerned with 72% agreement, followed by Kenya (70.67%) and India (66%). This shows that regulatory clarity is a

**Table–2: Real-World Applications of InsurTech in Emerging Markets**

| Country | InsurTech Solution | Key Technologies Used | Target Market | Impact/Outcome |
|---|---|---|---|---|
| India | *Acko General Insurance* – Fully digital insurer offering motor, health and travel insurance. | AI for claim processing, Big Data analytics, Mobile Apps. | Urban and semi-urban tech savvy customers. | Reduced claim settlement time from weeks to hours; improved accessibility via app based policy purchase. |
| Kenya | *M-TIBA* – Mobile health wallet and micro insurance platform. | Mobile payment systems, Cloud computing, Data analytics. | Low income and rural populations. | Enabled over 4 million people to access affordable healthcare financing through mobile phones. |
| Bangladesh | *Bima Mobile* – Micro insurance for life and health coverage via telecom operators. | USSD/SMS technology, Mobile platforms. | Rural farmers, low-income households. | Expanded insurance access to remote areas; boosted financial inclusion by integrating insurance with mobile airtime. |


challenge in all three economies but is most pronounced in Bangladesh, potentially due to shifting or inconsistent rules.

Trust plays a vital role in the acceptance of InsurTech. The responses (Table-5) indicate that India exhibits the highest levels of trust while Bangladesh holds a moderate position and Kenya demonstrates relatively lower trust. 73.33% of respondents in India express confidence in the security of their personal and financial data. The level of trust in data security in Bangladesh is somewhat lower at 63.33% suggesting a moderate degree of confidence. Kenya shows a notable 55% agreement indicating substantial worries regarding data security. India once more ranks first with 63.33% demonstrating confidence in the quality and reliability of information given by InsurTech. Bangladesh trails with a trust level of 61.33% indicating a moderate degree of confidence. Kenya registers the lowest figure at 50% indicating skepticism regarding the comprehensive and dependable provision of product information by InsurTech

**Table-3: Benefit Perceived by InsurTech in Emerging Markets**

| Benefit Factors | India | Kenya | Bangladesh |
|---|---|---|---|
| Insurance technology helps to reduce cost | SA = 48 | SA = 32 | SA = 39 |
| | A = 62 | A = 51 | A = 56 |
| | N = 24 | N = 17 | N = 25 |
| | D = 11 | D = 27 | D = 18 |
| | SD = 05 | SD = 23 | SD = 12 |
| Insurance technology helps in quick claims processing | SA = 46 | SA = 30 | SA = 40 |
| | A = 59 | A = 49 | A = 55 |
| | N = 30 | N = 21 | N = 18 |
| | D = 13 | D = 29 | D = 25 |
| | SD = 02 | SD = 21 | SD = 12 |
| Insurance technology enables to access insurance policy at anytime from anywhere via mobile apps | SA = 52 | SA = 36 | SA = 43 |
| | A = 67 | A = 54 | A = 62 |
| | N = 21 | N = 31 | N = 27 |
| | D = 13 | D = 19 | D = 14 |
| | SD = 07 | SD = 10 | SD = 04 |

Source: Primary Data
Note: Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), Strongly Agree (SA)

platforms. Conversely 66.67% of Indians believe that InsurTech providers exhibit openness while the percentage is significantly lower in Bangladesh at 63.33% and even lower in Kenya at 58% all indicating a considerable sense of transparency.

Awareness serves as a crucial element that impacts the uptake of InsurTech products and services. The survey results (Table-6) reveal that participants in India exhibit the highest levels of awareness across all assessed dimensions with Bangladesh following closely and Kenya in a lesser position. India stands out with 83.33% of respondents demonstrating a robust understanding of InsurTech's meaning and operation. Bangladesh demonstrates a moderate level of awareness recorded at 72.67%. Kenya shows the lowest level of awareness at 63.33% indicating a clear necessity for enhanced education and outreach initiatives. A comparable trend is observed in India where awareness of available services stands at 80%. Bangladesh is not far behind at 70% indicating an increasing accessibility and dissemination of InsurTech solutions. Kenya is currently at 60% suggesting a deficiency in market penetration or communication strategies. In India respondents demonstrate a strong inclination towards

**Table–4: Challenges Faced in Adoption of InsurTech in Emerging Markets**

| Challenges Factors | India | Kenya | Bangladesh |
|---|---|---|---|
| Lack of digital literacy or technical skills | SA = 41 | SA = 53 | SA = 47 |
| | A = 54 | A = 62 | A = 51 |
| | N = 25 | N = 18 | N = 22 |
| | D = 31 | D = 15 | D = 12 |
| | SD = 19 | SD = 02 | SD = 18 |
| Limited or unstable internet access | SA = 41 | SA = 51 | SA = 48 |
| | A = 48 | A = 57 | A = 47 |
| | N = 31 | N = 22 | N = 15 |
| | D = 29 | D = 13 | D = 21 |
| | SD = 21 | SD = 07 | SD = 19 |
| High cost of digital devices (smartphones, computers) | SA = 43 | SA = 45 | SA = 41 |
| | A = 52 | A = 52 | A = 46 |
| | N = 25 | N = 23 | N = 17 |
| | D = 31 | D = 17 | D = 26 |
| | SD = 19 | SD = 13 | SD = 20 |
| Uncertainty about regulations or legal protections | SA = 42 | SA = 49 | SA = 51 |
| | A = 57 | A = 57 | A = 57 |
| | N = 23 | N = 24 | N = 22 |
| | D = 19 | D = 14 | D = 11 |
| | SD = 11 | SD = 06 | SD = 09 |

Source: Primary Data
Note: Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), Strongly Agree (SA)

digital interactions with 66.67% expressing agreement. Similarly respondents from Bangladesh exhibit a notable preference with 65.33% in favor. Kenya shows a marginally reduced preference at 58% potentially shaped by conventional insurance purchasing behaviors or obstacles related to digital infrastructure.

## Implications for Stakeholders

Many parties including students, insurers, regulators and entrepreneurs stand to lose or gain greatly from the proliferation of InsurTech in developing economies. Individuals and organizations can better position themselves to take advantage of opportunities and overcome obstacles if they have a firm grasp of these consequences [23] [24].

### Implications for Students

- Students have access to a multidisciplinary learning area through InsurTech which combines innovation, technology and finance. The value of having expertise in areas such as artificial intelligence, data analytics, blockchain and digital marketing is on the rise.

- Engagement with InsurTech trends allows students to grasp the requirements of local markets while also learning about global best practices.

- Students who learn about InsurTech early on are more prepared for careers in customer experience management, claims automation, underwriting and product design.

### Implications for Insurers

- Traditional insurers need to evolve by incorporating technology into their business models to maintain competitiveness.

- Insurers can develop policies that are customized to the risk profiles and

**Table-5: Trustworthiness Perception of InsurTech in Emerging Markets**

| Trustworthiness Factors | India | Kenya | Bangladesh |
|---|---|---|---|
| Personal and financial data is secure with InsurTech platforms | SA = 51 | SA = 41 | SA = 44 |
| | A = 59 | A = 42 | A = 51 |
| | N = 21 | N = 27 | N = 22 |
| | D = 13 | D = 23 | D = 18 |
| | SD = 06 | SD = 17 | SD = 15 |
| InsurTech platforms provide accurate and reliable information about products | SA = 41 | SA = 33 | SA = 40 |
| | A = 54 | A = 42 | A = 52 |
| | N = 22 | N = 25 | N = 23 |
| | D = 18 | D = 27 | D = 20 |
| | SD = 15 | SD = 23 | SD = 15 |
| InsurTech providers are transparent in their policies and terms | SA = 47 | SA = 41 | SA = 46 |
| | A = 53 | A = 47 | A = 49 |
| | N = 23 | N = 19 | N = 21 |
| | D = 17 | D = 22 | D = 20 |
| | SD = 10 | SD = 21 | SD = 14 |

Source: Primary Data
Note: Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), Strongly Agree (SA)

**Table-6: Awareness for InsurTech in Emerging Markets**

| Awareness Factors | India | Kenya | Bangladesh |
|---|---|---|---|
| I am aware of what InsurTech means and how it works | SA = 58 | SA = 47 | SA = 51 |
| | A = 67 | A = 48 | A = 58 |
| | N = 15 | N = 25 | N = 19 |
| | D = 08 | D = 17 | D = 12 |
| | SD = 02 | SD = 13 | SD = 10 |
| I know about available InsurTech services in my country | SA = 56 | SA = 43 | SA = 48 |
| | A = 64 | A = 47 | A = 57 |
| | N = 14 | N = 24 | N = 18 |
| | D = 10 | D = 21 | D = 16 |
| | SD = 06 | SD = 15 | SD = 11 |
| I prefer insurance technology over face-to-face interaction | SA = 46 | SA = 41 | SA = 42 |
| | A = 54 | A = 47 | A = 48 |
| | N = 23 | N = 19 | N = 26 |
| | D = 17 | D = 22 | D = 20 |
| | SD = 10 | SD = 21 | SD = 14 |

Source: Primary Data
Note: Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), Strongly Agree (SA)

requirements of their customers.

- Due to automation and digital claims processing, costs are reduced and turnaround times are improved.

### Implications for Regulators

- Protecting insurance clients, client's data privacy and data hacking must be a top priority for regulators without stifling new ideas.
- Insurance laws must be up to date to incorporate digital platforms, e-signatures and mobile-based transactions are essential.

### Implications for Entrepreneurs

- The digital tools are inexpensive and easily expandable, which allows startups to compete with large insurance companies.
- The expansion of the market can be conducted through partnership with telecommunication companies, financial institutions and fintech organizations.
- Niche markets such as parametric insurance, micro-insurance and climate-risk covering are possibilities.

## Conclusion

The insurance environment in emerging markets is undergoing an extremely radical shift due to the blistering development of the InsurTech that provides an unprecedented mix of innovation, accessibility, and efficiency. With the deployment of digital technologies, including artificial intelligence (AI), blockchain, mobile platforms and big data analytics InsurTech industry is not only simplifying the working processes but it is also rendering the insurance affordable and available to populations not yet served. Due to large populations who lack insurance, increased use of

mobile phones and the increase in digital literacy, there is a huge growth potential in the emerging markets [25]. The adoption of InsurTech is caused by available technology, regulatory support and evolving consumer expectations. The insurers also experience operational efficiency; customers receive customized services and penetration into the market. The issues related to regulatory uncertainties, cybersecurity risks and consumer confidence can be managed in a joint manner. The changes that InsurTech innovation is making to local markets are evidenced by India, Kenya, and Bangladesh which proves its flexibility and importance. InsurTech fits well in emerging economies due to technological maturity, policy maturity and readiness of customers. Failure to implement promptly would leave millions of people with no insurance and cripple the economy. For insurers inaction is costly but entrepreneurs and students pay even more. Those who act now can change insurance, create new careers and increase financial inclusion like never before. InsurTech is the future of insurance delivery not a trend. Emerging markets can leapfrog existing approaches to build a more accessible, efficient and customer-centric insurance ecosystem [26].

## References

1) Kessler, D. (2014). Why traditional insurance is not systemic. Journal of Risk and Insurance, 81(3), 477-488.

2) De Bettignies, H. C., Lépineux, F., & Tan, C. K. (2006). The insurance business and its image in society: Traditional issues and new challenges. INSEAD. sites. insead. edu/facultyresearch/research/ doc. cfm.

3) Uddin, M. J., Hamid, M. A. A., Noordin, B. A. A., & Ahmad, S. (2023, December). Does Insurance Technology have an Impact on the Financial Performance of Insurance Business?. In International Conference on Innovations in Bio-Inspired Computing and Applications (pp. 449-458). Cham: Springer Nature Switzerland.

4) Uddin, M. J., Ferdous, M., Rahaman, A., & Ahmad, S. (2023, December). Adoption of Digital Transformation in the Insurance Business of Bangladesh: A Quantitative Study from the Perspective of Customers. In International Conference on Soft Computing and Pattern Recognition (pp. 317-326). Cham: Springer Nature Switzerland.

5) Ahmad, S., & Saxena, C. (2023, March). Mapping of insurance technology (insur-tech) research: A bibliometric analysis. In Doctoral Symposium on Computational Intelligence (pp. 715-728). Singapore: Springer Nature Singapore.

6) Cosma, S., & Rimo, G. (2024). Redefining insurance through technology: Achievements and perspectives in Insurtech. Research in International Business and Finance, 70, 102301.

7) Ahmad, S., & Saxena, C. (2022, May). Artificial intelligence and blockchain technology in insurance business. In The international conference on recent innovations in computing (pp. 61-71). Singapore: Springer Nature Singapore.

8) Ahmad, S., & Saxena, C. (2022, November). Internet of things and blockchain technologies in the insurance sector. In 2022 3rd international conference on computing, analytics and networks (ICAN) (pp. 1-6). IEEE.

9) Banu, A. (2022). Big data analytics–tools and techniques–application in the insurance sector. In Big data: A game changer for insurance industry (pp. 191-212). Emerald Publishing Limited.

10) Kondappan, M. M. (2025). Cloud computing and its role in insurance platform integration. World Journal of Advanced Research and Reviews, 26(1), 3700-3712.

11) Skryl, V., & Hlushko, A. (2023). Insurtech: new opportunities for the development of the insurance market. Економіка і регіон/Economics and region, (1 (88)), 144-151.

12) Šain, Ž., & Selimović, J. (2009). Challenges in insurance industry. Interdisciplinary Management Research, 471, 479.

13) Svetlana, V. (2016). InsurTech: Challeges and development perspectives. International Journal of Innovative Technologies in Economy, (3 (5)), 39-42.

14) Didenko, I., & Sidelnyk, N. (2021). Insurance innovations as a part of the financial inclusion. Business Ethics and Leadership, 5(1), 127-135.

15) Vintilă, A., & Roman, M. D. (2024). Resilience Analysis of the European Insurance Industry. Journal of Social and Economic Statistics, 13(2), 58-81.

16) Alam, S. A., Akter, R., Khan, S. N., & Ahmad, S. (2025). FinTech: A New Financial Revolution. In Financial Landscape Transformation: Technological Disruptions (pp. 301-316). Emerald Publishing Limited.

17) Amnas, M., Raja, M., & Velmurugan, J. M. (2025). Exploring key drivers of InsurTech adoption: Insights from India's digital insurance revolution. Smart Journal of Business Management Studies, 21(1), 105-119.

18) Bruce, D., Avis, C., Byrne, M., Gosrani, V., Lim, Z., Manning, J., ... & Qin, W. (2018). Improving the success of InsurTech opportunities. British Actuarial Journal, 23, e31.

19) Rana, S., Das, S., Shikder, S., & Ahmad, S. (2023). Industry 5.0: sustainable development in Bangladesh. International Journal of Engineering Applied Sciences and Technologies, 8(1), 106-111.

20) Svetlana, V. (2016). InsurTech: Challeges and development perspectives. International Journal of Innovative Technologies in Economy, (3 (5)), 39-42.

21) Cappiello, A. (2018). Digital disruption and insurtech start-ups: Risks and challenges. In Technology and the insurance industry: Re-configuring the competitive landscape (pp. 29-50). Cham: Springer International Publishing.

22) Sultana, N., Rahman, K. S., Lima, R. P., & Ahmad, S. (2023, May). Financial technology and competitive landscape in the Banking Industry of Bangladesh: An exploratory focus. In International conference on emergent converging technologies and biomedical systems (pp. 225-241). Singapore: Springer Nature Singapore.

# BE BETTER INFORMED! SUBSCRIBE TO THE PREMIER ACCOUNTANCY JOURNAL IN BANGLADESH

The Institute of Chartered Accountants of Bangladesh (ICAB) is the apex accountancy body of Bangladesh. The professional qualification it offers is highly prized. Membership of ICAB testifies to recognition of high standards and exceptional skills. Under a twinning project, the syllabus of ICAB has been revised and is equivalent to that of the Institute of Chartered Accountants in England and Wales (ICAEW), the premier global accountancy body.

ICAB publishes a quarterly Journal, The Bangladesh Accountant, to keep its members updated on technical issues and global developments in the profession. It is regularly read by all the members of ICAB both in Bangladesh and across the world. Circulation includes many major companies and financial institutions, governmental and semi-governmental organisations, NGOs and international accounting and professional bodies.

The journal is also gone through regularly by other professionals related to the accounting profession, for example, those in businesses and other organisations, students of Chartered Accountancy and all those who wish to keep themselves abreast of developments in the accounting profession.

To paraphrase Mark Twain “Those who do not read a good publication have no advantage over those who do not know how to read”! Don’t be left out. Become a subscriber to this exclusive professional publication.

Annual Subscription (4 issues) (including postage)
Tk 2,000 (Bangladesh)
Tk 2,500 (Overseas)

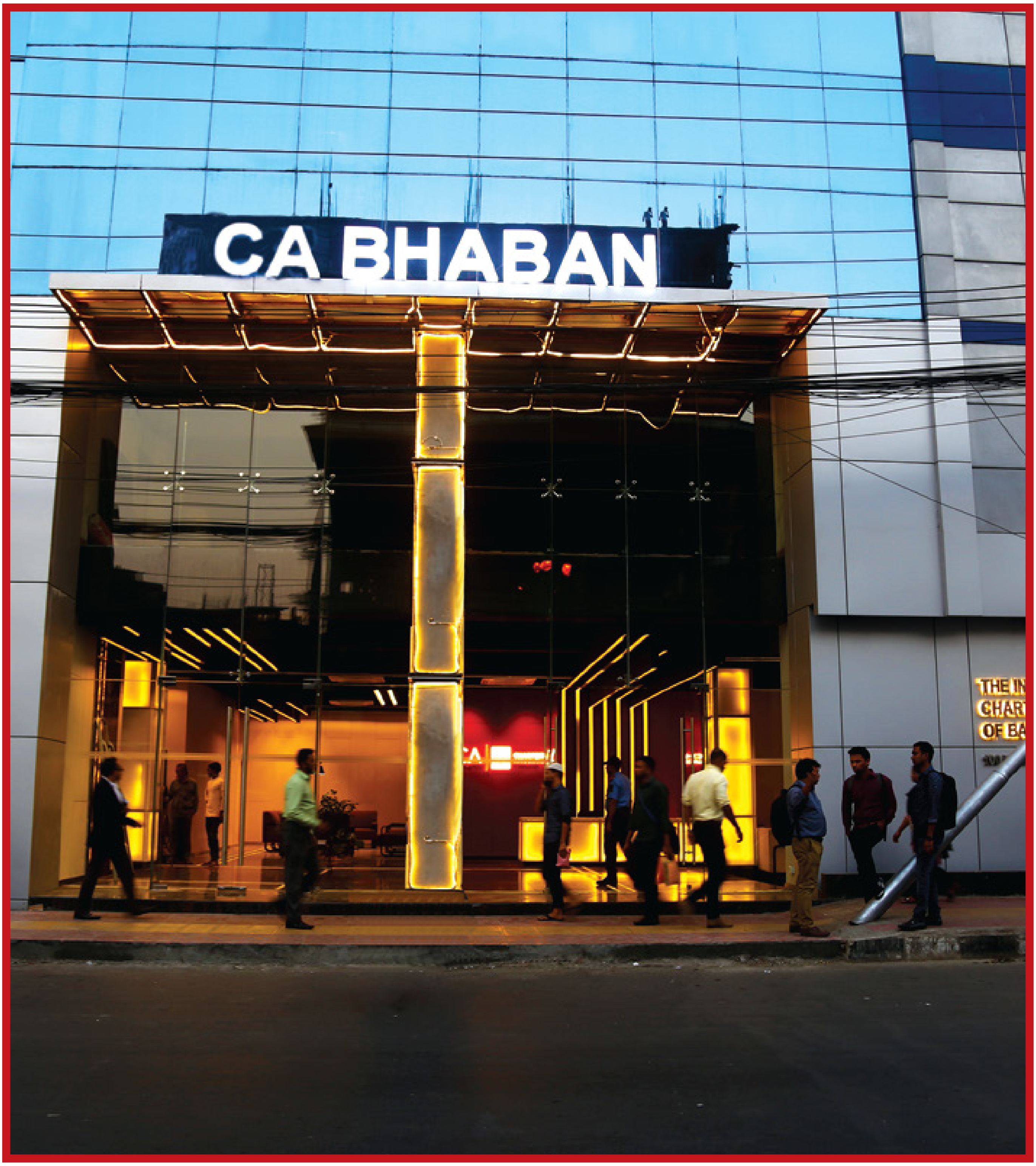
Special Rate of Annual Subscription (4 Issues) for Students of Chartered Accountancy in Bangladesh - Tk 1,000 (including postage)

**Contact us today and subscribe to ‘The Bangladesh Accountant’**

**Shubhashish Bose**
Chief Executive Officer (CEO)
The Institute of Chartered Accountants of Bangladesh
CA Bhaban, 100 Kazi Nazrul Islam Avenue
Kawran Bazar, Dhaka-1215, Bangladesh
Tel: +88 09609612100, +88-02-9115340, 9117521
E-mail: ceo@icab.org.bd, sds@icab.org.bd
facebook.com/ca.bangladesh

For more issues of
The Bangladesh Accountant visit
**icab.org.bd**

# REACH AN EXCLUSIVE GROUP OF PROFESSIONALS, DECISION MAKERS AND THINK TANKS - ADVERTISE IN "THE BANGLADESH ACCOUNTANT"!




**CA Bhaban**
100 Kazi Nazrul Islam Avenue, Dhaka 1215

# GLOBAL RECOGNITION OF ICAB

CA BANGLADESH

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

## 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 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).