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CORPORATE GOVERNANCE PRACTICES IN BANGLADESH

AN OVERVIEW OF ITS PRESENT SCENARIO IN BANKING INDUSTRY

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Abstract

The world has experienced an economic calamity and corporate breakdowns in the past couple of years, exposing the extent of problems in corporate governance. It was noticed that governing corporations was not an easy task in any way. This lack of management capability has raised quite a few eyebrows in the field of corporate governance that needs to be rectified in order to allow smooth operation in any business across the globe. There seems to be difficulties for firms to organize their business since most of them are busy laying numerous strategies, planning and budgeting, information systems, performance management, accounts, etc. This paper attempts to seek out the corporate governance practices in Bangladesh banking industry and it has been tried to know about whether the boards of directors understand their responsibilities, the different committees in the organization, the audit procedures or systems, auditors and role of independent directors. On the basis of these responses, it has been evaluated that the quality of the regulation in Bangladesh banking system stands at an unsatisfactory level. Lack of accountability, lack of fairness and transparency in practices and faulty, incomplete and ineffective audit and disclosure have led to widespread corruption in the industry. It is also evaluated that the necessity of ensuring accountability, fairness and transparency to build sound corporate governance in the Bangladesh banking industry.

Keywords: Accountability, Banking, Corporate Governance, Disclosure, Fairness and Transparency

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INTRODUCTION

Corporate Governance (CG) mainly controls how well the interests of the stakeholders are being maintained, reflecting the need for accountability in the handling money and the ways of commercial activities. It primarily aims to enhance corporate transparency and accountability (Thapa, 2008). It is extensively recognized that transparency enhances trust among the major players within the governance framework and CG is equally important for all types of corporate institutions. Furthermore, good CG in the banking sector is considered to be an integral part of the development of sound, transparent and properly functioning money by inspiring investor confidence. Moreover, it is a very essential element for the banking system because bank and financial institutions depend on Other Peoples' Money (Abbasi, Kalantari and Abbasi, 2012). The necessity for CG arises from the possible conflicts of interest among different stakeholders in the organization.

These conflicts of interest often arise from two reasons. First, different stakeholders have different preferences and objectives. Second, the stakeholders have inadequate information as to each other's knowledge, preferences and activities (Osman 2006). The requirement of CG is about how owners of banks can safeguard its properties and the returns generated by those properties are used efficiently and in their best interests by the managers given with powers to operate those properties. This problem is essential to any bank where owners themselves do not involve in the management functions directly. The CG problem arises due to the separation of ownership and control rights, informational irregularity, and state-contingent agreements. The preconditions for effective CG in the banking industry includes: Arrangement of risk-bearing and control, Monitoring the inaccuracy of management and firm's performance based on transparency, regular and reliable disclosures, and internal checks and balances; and Incentives (Haque, Jalil and Naz, 2007).

It is generally accepted that the governance problem involves a difficulty between accountability and managerial initiative. There is an overall consensus about the aim of good CG; maximizing long term shareholder value. Since shareholders are remaining claimants, in sound performing deposit, capital and financial markets, whatever maximizes shareholder value must automatically maximize banking prosperity, and best satisfy the claims of employees, depositors, creditors as well as the State. CG indicates the values, ethics and moralities under which organizational decisions are taken. However, in a situation such as Bangladesh, where organized markets are developing and a weak market for corporate control has been observed generally. This study particularly attempts to evaluate actual governance practices in the Bangladesh banking industry.

Objectives of the Study

The general objective of the study is to review the present scenario of CG practices in Bangladesh banking industry and the specific objective of the study is to evaluate the requirements of accountability, fairness and transparency in Bangladesh banking industry.

Corporate Governance Scenario in Bangladesh Banking Industry

A number of studies on the CG in Bangladesh banking industry were undertaken. All these studies determined that CG practices in banking industry were poor and that Bangladesh had lagged behind its neighbors and the global economy in CG (Gillibrand, 2004). One of the principal reasons for poor CG is that most of the organizations are family oriented and the Board of Directors is actively involved in management (Haque, Jalil and Naz, 2007). In the framework of Bangladesh, independent directors do not act as a supporter of majority shareholders or as a source of innovative ideas (Bangladesh Enterprise Institute 2003). But the companies Act 1994 provides for many strict rules regarding any negligence, default, breach of duty or trust on the part of director, manager or officer of a company. But these rules are more honored in the breach than observance (Ahmed and Yusuf, 2005). A comprehensive diagnostic study was conducted by Bangladesh Enterprise Institute (2003) as a project, which pursues to focus on the vital areas that have been identified internationally as essential to good CG. Weak regulatory system has also been identified as a barrier in the way of achieving sound CG. The presence of weak regulatory system prevents the current laws and statutes from being applied. Board committees which are very essential for sound CG are collected of Audit Committee, Remuneration Committee and Nomination Committee. The Audit Committee monitors the integrity of financial statements, reviews internal financial controls, recommends appointment of external auditors and reviews auditor independence and objectivity and audit effectiveness. The Remuneration Committee is accountable for reviewing the remuneration of directors and senior management and advising the Board whether the amounts are reasonable in comparison with industry and corporate yardsticks. The Nomination Committee is liable for proposing new nominees to the Board and advising the Board on the fundamental skill required of new directors (Psaros, J. and Seamer, M. 2002). As in other developing countries, banks play a vital role in Bangladesh economy, as the dominant finance provider for the industrial and commercial activities. Since the independence in 1971, the government until 1982, when the 'ownership reform' measures started in the financial sector, had carried out the regulation and ownership of all the financial institutions. During the reform period, two out of six National Commercial Banks (NCBs) were denationalized and private commercial banks were allowed to operate in the country. Despite the expansion in present, the operational efficiency of the banking institutions

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has continued to be dismal (Sayeed, 2002; Raquib, 1999). The sector observed diminishing profitability, growing non-performing assets, provision and capital shortfalls, eroded credit discipline, rampant corruption patronized by political quarters, low recovery rate, inferior asset quality, managerial weaknesses, excessive interference from government and owners, weak regulatory and supervisory role etc. (Hassan, 1994; USAID, 1995). Internal control system along with accounting and audit qualities are supposed to have been insufficient (World Bank, 1998; Raquib, 1999**;** CPD, 2001). Many of the difficulties have been recognized to lack of sound CG among the banks. Banking Reform Commission (1999) and BEI (2003) raises serious concerns on the banking sector and criticize the quality of governance that overcomes in the banking sector in Bangladesh, which provides an impetus to explore the governance issues in detail. However, there are some additional reasons that are unique to the financial sector which require attention to this issue. These are: (i) The rapid changes brought about by globalization, deregulation and technological advances are increasing the risks in banking systems. (ii) The failure of a bank affects not only its own stakeholders, but may have a systemic impact on the stability of other banks. All the more reason therefore to try to ensure that banks are properly managed. (iii) Private sector banks are motivated by profit maximization and their own financial stakes are limited and relatively low and they are therefore prone to excessive risk taking with the depositors' money. Given the vital financial mediation role of banks in an economy, their potential difficulties arising from ineffective CG and the essential to safeguard depositors' funds, CG for banking organizations is of great importance to the international financial system. Banking companies pose unique CG attention as they differ greatly with other types of firms in terms of broader extent of claimants on the banks assets and funds. A group of entrepreneurs and/or executives could set up a banking business by putting very little capital from their own pocket as the nature of business itself guarantees flow of huge amount of funds in the form of deposits. The general approach to CG claims in favor of the shareholders rights only, as managers/executives may not always work in the best interest of the shareholders (Henderson, 1986; Jensen and Meckling, 1976; Fama and Jensen, 1983). But the shareholders actually account for a very little portion of the bank's assets and funds. Rather almost every bit of banks' investments are financed by the depositors' funds. In case of losses or failures it will be depositors' savings that the banks would lose. Such risks demand priority in protection of depositors that ushers in a broader view of CG that suggests the interest of the suppliers of funds for a firm should be upheld (Shliefer and Vishny, 1997; Vives, 2000**;** Oman, 2001). Macey and O'Hara (2001) also claim that CG should be adopted in the case of banking institutions, arguing that because of the peculiar contractual form of banking, CG mechanisms for banks should encapsulate depositors as well as shareholders. Arun and Turner (2003) supported the

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prerequisite for the broader approach to CG for banking organizations and also argue for government interference to restrain the behavior of bank management. In many countries, deposit insurance is used as a mechanism to safeguard the banking system as well as the depositors. However, Macey and O'Hara (2001) argues that in many cases, the presence of deposit insurance mechanism by the governments may encourage many bank insiders to embark upon self-benefiting risky deals taking the advantage of insurance protection. The self-dealing activities by the bank insiders are very risky to the performance and survival of the banks as scores of previous bank failures have been caused by unsafe self-dealing by the bank insiders (Jackson and Symons, 1999; Clarke, 1988). The presence of heavy liquid assets and lack of depositors' interest to actively control and monitor banks' risky decisions as a result of the insurance guarantees simplifies the sharking in the banking firms. Banks in Bangladesh are confronted with high risk of sharking as a result of heavy government ownership, lack of prudential regulation, weak legal protection and presence of special interest groups (Arun and Turner, 2003). The independent regulatory agencies are essential in Bangladesh to act against the repeated collusion among government, businesses and bankers to serve special interest groups (Shleifer and Vishny, 1997; Arun and Turner, 2002). However, there is an argument that dynamic role by regulators may cause difficulties as well as regulators may not have a sufficient motivation to monitor the banks as they do not have much at stake in case of bank failures (Macey and Garrett, 1988). Recently, Bangladesh banking industry has experienced rapid changes due to the growth of wider range of banking products. As a result of this, banks have been involved with high risk activities such as trading in financial markets and different off-balance sheet activities more than ever before (Greuning and Bratanovic, 2003), which necessitates an added emphasis on the quality of CG of Bangladesh banking industry.

Codes of Corporate Governance in Bangladesh

CG has been receiving increasing attention from regulatory bodies and practitioners worldwide. Bangladesh banking sector is still at its initial stage; nevertheless awareness of the requirements of CG is growing. However, when compared to those of the India, Pakistan, Sri Lanka, Thailand and Malaysia, CG in practice and philosophy have up till now remained relatively under-developed in Bangladesh. To govern the corporate culture in Bangladesh, the following legal measures are in practice:

- Securities and Exchange Ordinance 1969
- Bangladesh Bank Order 1972
- Bank Companies Act 1991
- Financial Institutions Act 1993
- Securities & Exchange Commission Act 1993
- Companies Act 1994
- Bankruptcy Act 1997

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However, to institutionalize the practice of CG in Bangladesh, first initiative was undertaken by the Securities and Exchange Commission (SEC). SEC issued a notification on CG Guidelines for the publicly listed companies of Bangladesh under the power vested on the Commission by Section 2CC of the Securities and Exchange Ordinance, 1969. The CG Guidelines were issued on a ‘comply or explain’ basis, providing some ‘breathing space’ for the companies to implement on the basis of their capabilities. Nevertheless, the framework for investor protection and CG has a number of weaknesses that have hindered the development of capital market. Most of the business organizations depend on the banks as their main source of financing.

Corporate Governance Principles for Banks

Effective CG is critical to the proper functioning of the banking sector and the economy as a whole. Banks serve a crucial role in the economy by intermediating funds from savers and depositors to activities that support enterprise and help drive economic growth. Banks’ safety and soundness are key to financial stability, and the manner in which they conduct their business. Governance weaknesses at banks that play a significant role in the financial system can result in the transmission of problems across the banking sector and the economy as a whole. Previous researches in this area and relevant literatures have been considered to develop the issues of investigation in CG practice. The Basel Committee on Banking Supervision or BCBS (BIS, 2015) defines the following critical areas of CG:

Responsibilities of the Board

The board has overall responsibility for the bank, including approving and overseeing the implementation of the bank’s strategic objectives, governance framework and corporate culture. The board is also responsible for providing oversight of senior management.

Board Qualifications and Composition

Board members should be and remain qualified, individually and collectively, for their positions. They should understand their oversight and CG role and be able to exercise sound, objective judgment about the affairs of the bank.

Board’s own Structure and Practices

The board should define appropriate governance structures and practices for its own work, and put in place the means for such practices to be followed and periodically reviewed for ongoing effectiveness.

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Senior Management

Under the direction and oversight of the board, senior management should carry out and manage the bank's activities in a manner consistent with the business strategy, risk appetite, incentive compensation and other policies approved by the board.

Governance of Group Structures

In a group structure, the board of the parent company has the overall responsibility for the group and for ensuring that there is a clear governance framework appropriate to the structure, business and risks of the group and its entities. The board and senior management should know and understand the bank's operational structure and the risks that it poses.

Risk Management

Banks should have an effective independent risk management function, under the direction of a Chief Risk Officer (CRO), with sufficient stature, independence, resources and access to the board.

Risk Identification, Monitoring and Controlling

Risks should be identified, monitored and controlled on an ongoing bank-wide and individual entity basis. The sophistication of the bank's risk management and internal control infrastructure should keep pace with changes to the bank's risk profile, to the external risk landscape and in industry practice.

Risk Communication

An effective risk governance framework requires robust communication within the bank about risk, both across the organization and through reporting to the board and senior management.

Compliance

The bank's board of directors is responsible for overseeing the management of the bank's compliance risk. The board should approve the bank's compliance approach and policies, including the establishment of a permanent compliance function.

Internal Audit

The internal audit function provides independent assurance to the board and supports board and senior management in promoting an effective governance process and the long-term soundness of the bank. The internal audit function should have a clear mandate, be

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accountable to the board, be independent of the audited activities and have sufficient standing, skills, resources and authority within the bank.

Compensation

The bank's compensation structure should be effectively aligned with sound risk management and should promote long term health of the organization and appropriate risk-taking behavior.

Disclosure and Transparency

The governance of the bank should be adequately transparent to its shareholders, depositors, other relevant stakeholders and market participants.

The Role of Supervisors

Supervisors should provide guidance for and supervise CG at banks, including through comprehensive evaluations and regular interaction with boards and senior management, should require improvement and remedial action as necessary, and should share information on CG with other supervisors.

Finally, the group has stated on, shareholder rights and disclosure of information, financial reporting, audit practices, activity of different committees, board's effectiveness, role of independent directors and management performance as broad areas of CG practices.

METHODOLOGY

It was a descriptive research and hence much importance has been given on collection of data & analysis of data. The opinions on the practice of CG and the related matters have been collected from 54 respondents of 16 randomly selected private commercial banks and 2 nationalized commercial banks on the basis of prepared questionnaire and direct interview. Then related literatures were collected from the secondary sources. The annual reports of different banks were collected from the Dhaka Stock Exchange as well as all the related textbooks, research articles, magazines and newspapers were thoroughly reviewed to grab all the related data. The collected data were analyzed using descriptive statistics and interpreted by the author in order to make the study more effective, valuable & useful..

ANALYSIS & FINDINGS

The state and nature of CG has been studied under some general headings. For this analysis the financial institutions like banks which are listed in the Stock Exchange have been chosen.

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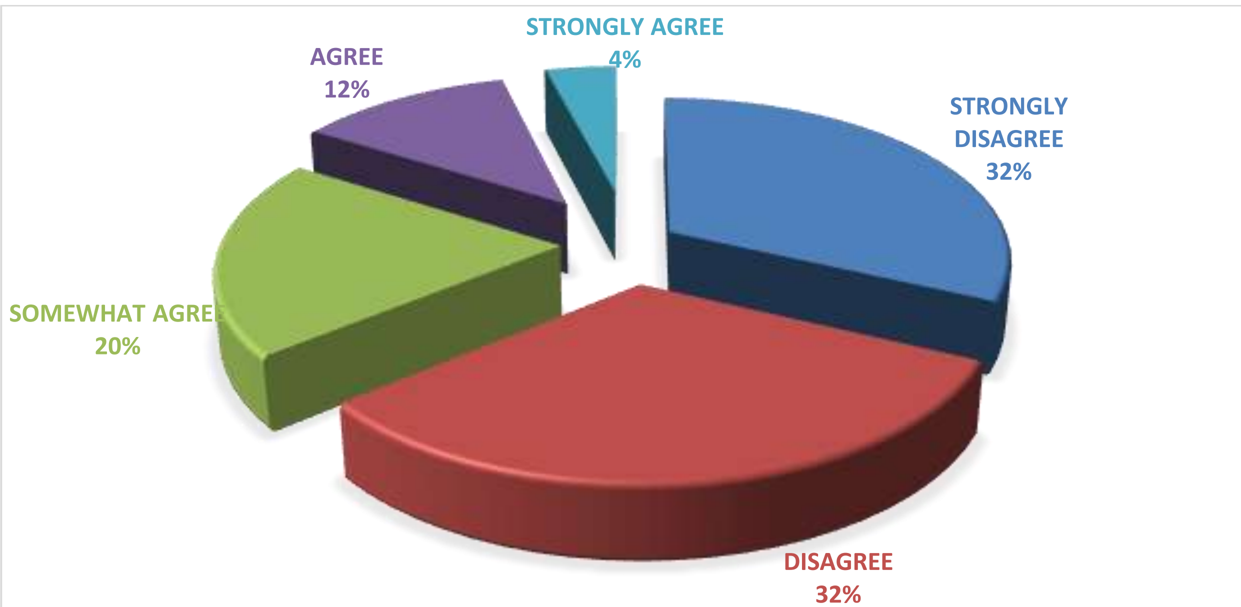
The specific aspects of good CG practices that have been examined are briefly explained in the following sections.

Responsibilities of the Board

For the fair operation of the bank the members who are in the Board must know what the responsibilities they have in the organization in terms of accountability, transparency and fairness. If the board members are not aware of their actions they will not be able to perform the right job in right time and will not be able to provide proper directions to the management.

Figure 1: Board Member Understand Their Responsibilities in Terms of Accountability, Transparency and Fairness in Percentage



The result of the questionnaire indicates that 32% of the respondents strongly disagree and another 32% of the respondents disagree that those members of the board of their respective bank are aware of their responsibilities in terms of accountability, transparency and fairness.

Effectiveness of the Board

On this issue, to determine the effectiveness of the board several factors were examined: (a) Size of Board and structure (b) Presence and effectiveness of the independent directors (c) Separation of chairman and CEO (d) Performance evaluation of the CEO by the board.

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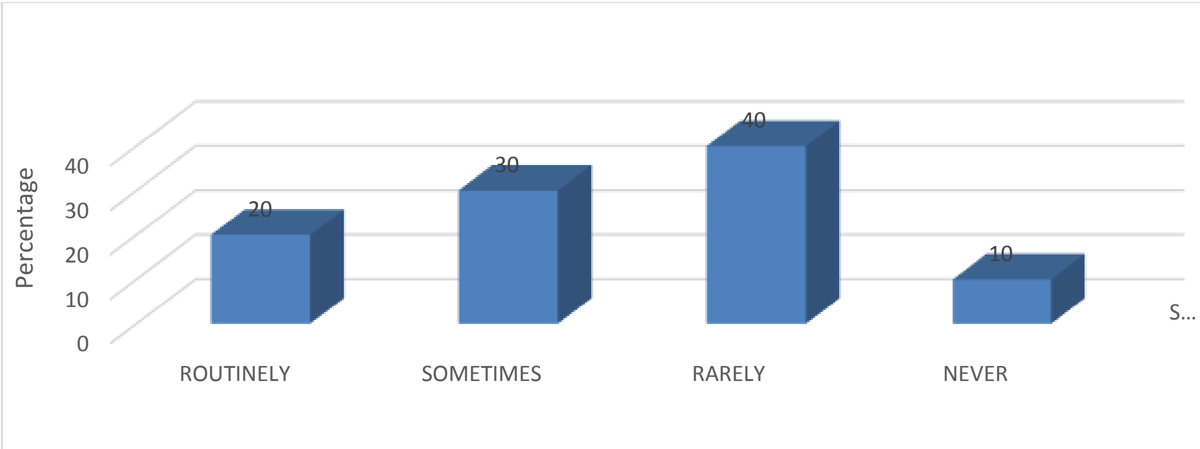
Figure 2: CEO's Performance Evaluation by the Board in Percentage



Study found that the CEO and the Chair of the Board are always separate individuals, and from the analysis of the questionnaire it is found that CEO's performance is evaluated by the board. The board evaluates CEO's performance rarely 40% and sometimes 30%; this happens due to the inactive participation of the independent directors.

Shareholder Rights and Disclosure of Information

It is found from the questionnaire analysis that the banks have own disclosure policies about which type of information will be disclosed and which one is not and therefore some information are not disclosed at all. It is also found that the shareholders are provided adequate information in the agenda of shareholders' meeting. It is also found that most of the PCBs disclose quarterly or semi-annual financial statements to make the stakeholders know about the interim performance of the banks. But the NCBs do not disclose the quarterly or semi-annual financial statements to the stakeholders on a routine basis.

External Auditor of the Bank

It has been found from the results of the questionnaire that in all the organizations, there is the presence of external auditors. This may be the reason of statutory requirement to have the financial statements audited by the qualified independent auditors. The most of the respondents opines that the works of the external auditors are reviewed properly. But the real picture may be different. Most often the external auditors are influenced to give the results desired by the authority. This tendency is seen more in the Private Commercial Banks than that of Nationalized Commercial Banks.

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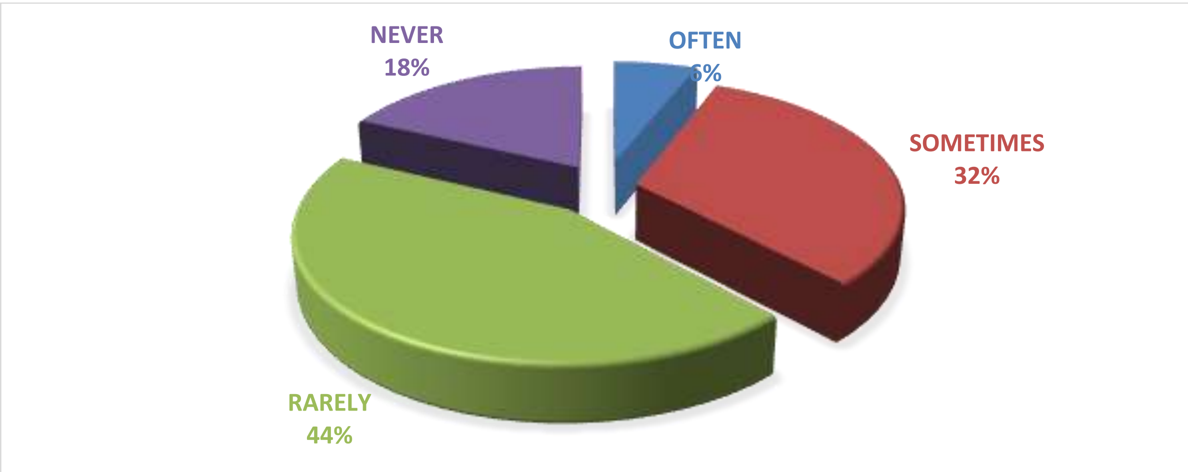
Role of the Independent Directors

For ensuring the accountability, transparency and fairness in the organizations the active participation of the independent directors in the board should be ensured. The independent directors will give their opinion while decision regarding anything is being made by the executive directors in the board meeting.

Figure 3: Independent Directors Participation in the Meeting in Percentage



From the analysis of the questionnaire it is found that there is no active participation of the independent directors in the board meeting. Independent directors participate in the meeting rarely 44% and sometimes 32%. On this basis the executive directors get the scope to adopt unfair means in making decisions.

Review of the Management Performance

For ensuring the better performance of the bank, the performance of the management should be reviewed on a regular basis. From the questionnaire analysis it is found that the performance of the banks management is reviewed on a routine basis. It is also found from the discussion that this review is done in more proper way in the private commercial banks than that of the nationalized commercial banks.

Committees

Interests of the investors and other stakeholders in the banking company are safeguarded through various committees. In the best practice guideline, three major committees are recommended. These are: (a) Audit committee, (b) Remuneration committee and (c) Nomination committee. From the result of the questionnaire it is found that all three committees

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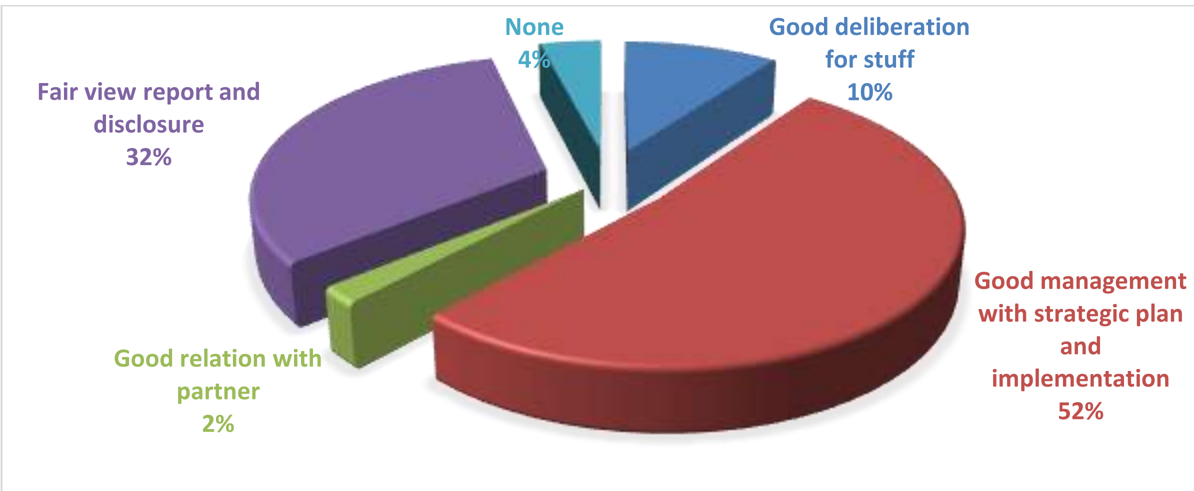
are found to be present in the Banks. But from the discussion with the managers, there is no satisfactory role of the committees in the organizations. The committees of the PCBs are more active than that of NCBs. It is also been found that audit committees are more active than other committees in the organizations.

Right way to go in terms of Corporate Governance for a Bank

The respondents argue that the successful implementation of the good governance practice will help the banking industry to ensure accountability of the persons who are involved in the strategic decision making in the organization.

Figure 4: Right Way to go in terms of Corporate Governance for a Bank in Percentage

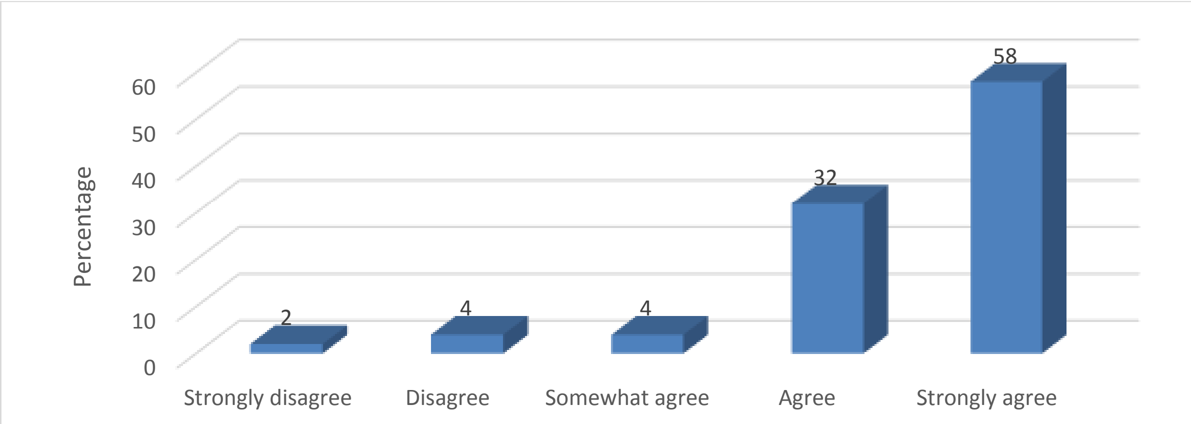


It was required to know from the respondents - the right way to ensure the good governance for a bank. The 52% responded that good business management with established long term strategic plan and successful implementation of those plans; and the 32% responded fair view bank reports and disclosure. The result indicates that it could be the right way to ensure the good governance for the banking industry.

Requirements of Accountability, Transparency and Fairness

If the banking organizations ensure accountability, transparency and fairness in the governance, the performance of the organizations will be improved and at the same time, potential investors will be interested to enter in this sector.

Figure 5: Requirements of Accountability, Transparency and Fairness in Percentage



It has been found from the results of the questionnaire that58% strongly agree and 32% agree with greater accountability, transparency and fairness to bring potential investors into business.

RECOMMENDATIONS

To implement reforms of CG, with a view to have good CG at the banking industry in Bangladesh, the following recommendations can be put forward:

Improve the Capacity of the Boards of Directors

The directors should improve their participation in strategic planning, monitoring of internal control systems and independent review of transactions involving managers, controlling shareholders and other insiders. Also it is required to reduce or eliminate loopholes by tightening standards for director “independence”, by making “shadow” directors liable for their actions, by increasing sanctions for violations of duties of loyalty and care and by advocating delineation of a core set of related-party transactions (such as loans to directors and officers)that should be prohibited outright.

Improving the Quality of Financial Reporting

In Bangladesh, quality of financial reporting needs to be improved. This requires a robust regulatory regime and effective enforcement of the accounting and auditing standards. True independence of the auditor is at the crux of good CG. Auditors need to be able to function with real independence and without fear or favor. Simultaneously, auditors also need to be monitored through strict enforcement of professional code of ethics of auditors. In the long run, auditors will become irrelevant if they fail to act independently.

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Institutional Capacity Building

There is a need for disseminating CG and enterprise restructuring principles and for implementing the related guidelines and standards. Public awareness and development of governance structure i.e., enforceable regulation, ensuring financial transparency, stop financial malpractice and any form of market manipulation are essential for enabling a sound framework for CG. It is, therefore, required to educate the public about their rights as shareholders and about the work of modern corporations through our own specialized publications and through the national and regional mass media.

Code of CG and Its Best Practice

The current status is that many Asian countries have adopted governance guidelines and codes of best practice. Like these countries, Bangladesh needs to have a “Code of CG and Best Practice Recommendations” which can be either rule based or principles based. Bangladesh Enterprise Institute (BEI), CG Committee of ICAB, and SEC have developed separate Codes for CG in Bangladesh. The Government should take initiatives to make these implemented by making necessary changes in the Bank Companies Act.

Implementation of Competition Policy

An effective competition policy fosters a flexible, dynamic, and competitive private sector that leads to sustain and widely shared economic development. Bangladesh needs to formulate a Competition Policy which will ensure a culture of good CG to thrive. Competition policy helps bring about efficiency, reduce price distortions, lower the risk of poor investment decisions, promote greater accountability and transparency in business decisions, and lead to better CG.

Government should intensify its efforts to improve the Regulation and CG

To restore confidence to both debt and equity markets, policy- makers and regulators need, in addition to ensuring adequate banking laws and regulations and supervision of banks’ operations, Government should intensify its efforts to promote sound CG practices in the banking sector. Ownership and financial relationships should be disclosed in the organizations for ensuring transparency and fairness.

Strengthen the Capacity of Public–Private Partnership

Public- and private -sector institutions should continue to raise awareness among organizations, directors, shareholders and other interested parties of the value of good CG. Bangladesh has made little progress in raising awareness of the value of good CG. To Achieving the desired CG

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framework in Bangladesh requires not only a strong national commitment to CG, but one that is also broad based.

Effective Implementation and Enforcement of Corporate-Governance Laws and Regulations

Over the past several years, most South Asian countries have substantially revamped their laws, regulations and other formal CG norms. Bangladesh is still lagging behind in this matter. Leadership from the uppermost reaches of government is necessary to promote public confidence in the state's commitment to the rule. In this regard, adoption of international accounting, audit and financial disclosure standards and practices will facilitate transparency, as well as comparability, of information across different jurisdictions. Such features, in turn, strengthen market discipline as a means for improving CG practices.

CONCLUSIONS

CG is a system by which the organizations are directed and controlled. The good governance in the organization ensure the protection of the right of minority shareholders, equitable treatment of shareholders, recognition of the roles of stakeholders, the proper disclosure and transparency and the clarification of the responsibilities of the board of the organization. CG is vital for growth and stability of various economic sectors. Amongst them the banking sector, which happens to be the engine behind developing country's economic activities, is in utmost need for prudent and effective regulation both at firm and macro level. At a time when Bangladesh is making all-out effort to achieve higher economic growth through expanding export and industrial base of the economy, an efficient, stable banking sector is of huge importance for the country for its role to facilitate efficient resource allocation and flow of economic activities. However, the literature and evidence clearly suggests that the quality of the regulation in Bangladesh banking system stands at an unsatisfactory level. Government ownership, political interventions, concentrated ownership of the private banks, lack of accountability of public sector bankers, faulty, incomplete and ineffective audit and disclosure have led to widespread corruption in the banking sector. However, it can be said that the prerequisite for the sustainable development of banking industry in Bangladesh is to ensure accountability, fairness and transparency in the banking organizations.

LIMITATIONS OF THE STUDY

This study has certain limitations that need to be taken into account when considering the recommendations and its implications. Some of these limitations can be seen as fruitful paths

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for future research under the same theme. This study has focused on a phenomenon that is a very extensive and major one, i.e. corporate governance. In this paper, assessment of this complex phenomenon has been studied from a rather narrow empirical perspective. During this study, it has been found that not much of research has been conducted on the CG landscape in Bangladesh banking industry. Indeed, there are ample of studies available on the methods and principles of CG from Bangladesh perspectives but there is a substantial lack of sector specific empirical and real- life studies. There is an absence of credible data and relevant information on the real CG concerns in Bangladesh banking industry. The Annual Reports don't show all the information. Many aspects required clarifications directly from the Bank personnel which was difficult and quite impossible to obtain. Hence in some cases scheduled walk in interviews could not be so successful.

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APPENDIX

Questionnaire on Corporate Governance Practices:

Q1: Do you think members of the board understand their responsibilities in terms of accountability, transparency and fairness? •Strongly agree •Agree •Somewhat agree •Disagree •Strongly disagree
Q2: Is there any Audit committee in the Bank? •Yes •No •Don't know
Q3: Is there any remuneration committee in the Bank? •Yes •No •Don't know
Q4: Is there any Nomination committee in the Bank? •Yes •No •Don't know
Q5: Is there an external auditor of the Bank? •Yes •No •Don't know
Q6: Does your bank make a proper review of external auditor's work? •Very much so •To some extent •Hardly
Q7: Does the board formally evaluate the CEO's performance? •Yes, as a routine •Sometimes •Rarely •Never
Q8: The financial statement made by Bank itself would be exactly the same had it been made by independent auditors: •Strongly agree •Agree •Somewhat agree •Disagree •Strongly disagree
Q9: Does your bank approve the appointment of the internal auditor and supervise his work routinely? •Actively •Occasionally •Never
Q10: Is there any information disclosure policy which dictates the type of information that could be disclosed to the stakeholders? •Yes •No •Don't know
Q11: Is the performance of the banks management reviewed on regular basis? •Yes •No •Don't know
Q12: Do you believe that greater accountability, transparency and fairness brings in prosperous investors into a business? •Strongly agree •Agree •Somewhat agree •Disagree •Strongly disagree
Q13: Does your bank disclose semi-annual reports or quarterly financial statements? •Yes •No •Don't know
Q14: Are independent directors participating actively in board discussion? •Often •Sometimes •Rarely•Never
Q15: Does corporate governance have anything to do with... •Strategic decision making and accountability •Enhancing the organization performance •Ensuring more transparency and fairness •Accomplishment sustainable development •None of the above
Q16: What is the right way to go in terms of corporate governance for a Bank? •Good deliberation for stuff •Good business management with established long term strategic plan and successful implementation •Good relation with partner •Fair view bank report and disclosure to focus on investor •None of the above
Q17: How many independent directors does your board have in total?
Q18: How many independent directors of your board are active in the meeting?

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