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Disclosure of Corporate Governance in Banking Sector of Bangladesh

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Abstract
Securities and Exchange Commission in Bangladesh set some rules about the Corporate Governance in 2006 and advises the listed company to follow those rules to ensure proper Corporate Governance. The main purpose of this study is to know about the disclosure of checklist of Corporate Governance in the banking sector of Bangladesh. Certain analysis was done to conduct this study like- dichotomous and partial compliance to find out the Overall disclosure Index. Chi-square test and cross tabulation are used to find relation between certain variables. Besides, Correlation and regression was performed to analysis those factors that influences the disclosure of Corporate Governance. Annual report of 2011 for 30 banks enlisted under Dhaka Stock Exchange (DSE) has been used to conduct this study. Certain results like higher proportion of independent directors' gives higher disclosure of corporate governance and more insider ownership results less corporate governance have been found. Recent scam in banking sector is also the result lack of corporate governance in Bangladesh. This research can be used to minimize that scam in the corporate culture. This study creates values not only to those banks but also to the other stakeholders who are related to this. Investors and creditors decision can be influenced by this study.
Keywords: Corporate Governance, Dhaka Stock Exchange (DSE), Securities & Exchange Commission (SEC), Disclosure, Banks etc.

1.0 Introduction

"The provision of financial and non-financial information, on a regular basis, to those is interested in the economic activities of an organization. The information is normally given in an annual reports and accounts, which includes financial statements and other financial and non-financial information. The annual report and accounts of a limited company is regulated by company legislation, accounting standards, and in the case of quoted company, by stock exchange regulations" (Hussey, 1999 cited in Hasan and Hossain, 2012, p.15).'Corporate governance is generally perceived as a set of codes and guidelines to be followed by companies' (Fernando 2006, p. 16). John and Senbet (1998) refer Corporate Governance as mechanism devices and structures which again act as a check on managerial self-centered behavior. Moreover, 'Corporate Governance creates a structure to control the internal management that reduces agency problem' as well (Hossain et al., 2009). In its broad definition, corporate governance refers to a set of rules/institutions/practices that minimizes the agency cost and the divergence between social and private returns on corporate activity (Monk and Minow, 1996 and Ararat and Ugar, 2003). In Bangladesh, Securities and Exchange Commission (SEC) gave some guidelines regarding the Corporate Governance in 2006 for proper governance to the listed companies. Fernando (2006, p.16) argues '[b]ut governance is more than just board processes and procedures'. It involves relationships between a company's management, its board, shareholder and other stakeholders'. However, the argument is that the opportunistic behaviors of managers, information asymmetry and their intention to keep information with them that benefit themselves are reduced under monitoring environment, then it will lead to improve Corporate governance disclosure (Ho and Wong, 2001).
In broad sense, corporate governance deals with the disclosure of four major components in details. Securities and Exchange Commission (SEC) set those rules which consist of many other components. Four major components are-Board of Director; Chief Financial Officer (CFO), Company Sectary (CS), Head of Internal Audit (HIA); Audit Committee and External Auditor cannot engage in some specific job. On the other hand, most banks in Bangladesh are privatized. There are 47 scheduled banks in Bangladesh (Bangladesh Bank, 2013). Out of those 47 banks 30 banks are enlisted to Dhaka Stock Exchange (DSE). This study will cover the banks enlisted under DSE and how they follow the guidelines set by the Securities and Exchange Commission (SEC). Moreover, this study will show the disclosure level of each bank with some disclosure method and give some mathematical result.

2.0 Literature Review

Reaz and Arun (2006) show the problems of Corporate Governance in the Banking sector and the impact of

political interference and failure by regulators on it. I addition, the weakness of the structure of Corporate Governance on Banking sector in Bangladesh has been focused with the involvement of structure of ownership, executive aspects, disclosure and audit practice etc. To conduct this study, they mainly focus on the importance of Corporate Governance and its contribution to economic growth through financial development. Bhuiyan and Biswas (2007) have conducted research on a sample of hundred and fifty five companies listed under Dhaka Stock Exchange where forty five disclosure items were chosen, so that disclosure level of those companies can be measured. This study mainly depicts sector-wise difference among the Corporate Governance Disclosure Index (CGDI) of those sectors where the mean and standard deviation were 56.04 and 17.20 respectively. Besides, multiple regression provides that CGDI is significantly influenced by some attribute like local ownership, the SEC notification and the size of the company; while, there are some other attribute like age, multinational companies, and the size of the board of directors which did not influence significantly to CGDI. Bhuiyan and Biswas (2007) had set 5% significant level to conduct this research.Uddin and Choudhury (2008) showed a link between traditional and rational culture of Corporate Governance in Bangladesh. This study is comprised of semi-structured interviews, observation, documentation etc. which depict the influence of family member to the Corporate Governance. As result, they also focused how the board of directors influences through their families. Siddiqui (2010) highlights mainly the model of Corporate Governance where main focus was on- What model to measure corporate Governance in Bangladesh is adopted and what has influenced to adopt that model. Besides, what model may be suitable is also discussed in this study. This study results that Bangladesh has adopted the Anglo-American shareholder model that may create legitimacy threats rather than efficiency.
Chaudhudy, Das, and Mishra (2011) examined the disclosure of different factors of corporate governance for certain specific company composing twelve financial institutions, six commercial banks and six developments banks. For this reason, six parameters were chosen to compare the factors of corporate governance. But the study did not show any relation among those parameters and chosen banks. Hasan and Hossain (2012) showed the overall disclosure level is 67% which is not a good score because this score does not provide a good signal to the stakeholder. Besides, this percentage is not enough to show good governance and transparency. Though the procedure was good enough to provide a good result but problem can be on the data collection process. To conduct this study, the disclosure, distribution of disclosure, disclosure checklist, scoring the disclosure, developing of disclosure index, dichotomous procedure, and Partial Compliance approach were used. Hasan, Hossain, and Swieringa (2013) assessed the corporate governance and financial disclosure on Bangladeshi perspectives. This study was done through the analysis of annual report of twenty Bangladeshi companies with four different industries, each containing five companies. This amount of sample cannot be the representative against total population.

3.1 Bangladesh: Socio-economic and Political Condition

Bangladesh is one of the slowest growing economies in the world. Like most underdeveloped economies, the population pressure is only a part of the story. The main problems are political stability, a relatively high (low) proportion of output and labour force in agriculture (industry), inadequate technology and capital, low saving rates volatile export earnings from a high proportion of traditional exports, low literacy rate and an unskilled labor force. In terms of GNP Bangladesh falls in the Low Income Category of countries according to the World Bank. During 1991-95 GDP growth averaged 4.1% in Bangladesh (World Development Indicators, 1997). Over the last couple of decades, Bangladesh has been pursuing various development strategies to improve the living standards of its people. The per capita income of Bangladesh was $240 in 1995 (World Development Indicators, 1997). Bangladesh has one of the highest densities of population, at around 800 persons per square kilometer in 1995. Bangladesh has a population of about 120 million with an annual growth of 1.6% which slowed down the growth of domestic national product. The economy is largely agricultural, with 31% of GDP coming from agriculture and involving 64% of the labor force in 1990 (World Development Indicators, 1997). Since independence in 1971, Bangladesh has been trying to achieve self-sufficiency in food grain production and she has nearly achieved success in this goal. Agriculture remains the mainstay of the economy of Bangladesh and this sector contributed 38% to GDP in 1993 (World Development Reports, 1994). Lack of capital, reliance on garments export and rapid population growth has been hampering economic development over years. In addition, Pakistani rule (1947-1971), military rule and economic discrimination are generally considered to have hindered the development process.The development plans of Bangladesh are mainly financed by external aid agencies, such as World Bank, to the extent during the Third Five Year Plan Period (1985-90) she borrowed up to 88% of her development budget from these sources. The Government has been trying to open up the economy by emphasizing private enterprise, encouraging foreign investment and setting up Export Processing Zones. Since 1989, the garments industry has been growing rapidly due to the government's economic liberalization policies, low wages and fiscal incentives.

3.2 Stock Market in Bangladesh

After independence, major companies were nationalized and there was no stock exchange in Bangladesh till

1976. Before independence, a stock exchange had been established in Dhaka, the Dhaka Stock Exchange (DSE) in 1954 as a corporate body under the Companies Act 1913. However, it operated on a very small scale in the first 25 years of existence. The DSE did not develop under the Pakistani regime during 1947-71. After the emergence of Bangladesh in 1971, the DSE market ceased to exist due to the government policy of nationalizing all the major industries of the country. In 1976, the DSE was reactivated with nine listed companies due to the change in the attitude of the then government towards the development of the public sector and promotion of a market economy.One of the features of the capital market in Bangladesh is the concentration of share ownership- a few shareholders' account for substantial part of total shareholders' value. At present, the capital market in Bangladesh consists mainly of the DSE, three government development financial institutions (DFIs), namely the Bangladesh Shilpa Rin Shangstha (BSRS), the Bangladesh Shilpa Bank (BSB) and the Investment Corporation of Bangladesh (ICB) and a few newly created private Investment Banks (Nicholls and Ahmed, 1995). The Companies Act, 1994 and the Securities and Exchange rules, 1987 are the most important laws which regulate the financial reports. As already noted the financial reporting practice of listed companies in Bangladesh made is mainly based on the legal requirements of the Companies Act, 1994 and the Securities and Exchange Rules, 1987. The Security and Exchange Rules, 1987 contain the detailed provisions regarding the contents of balance sheet, profit and loss account, and auditors' report. Proper issuance of securities, protections of the interest of the investors and promotion of development, regulation of the capital and securities market are the basic strategies of the Securities and Exchange Commission. These rules have increased the disclosure requirements of the listed companies in Bangladesh.

In the case of developed countries, requirements of the stock exchange can significantly affect disclosure aspect of financial reporting. In Bangladesh, the listing of does not prescribe any additional disclosure requirements governing in financial reports as a part of listing requirements *per se* other than the legal disclosure requirements i.e., the Companies Act, 1994, the Securities and Exchange Rules 1987 and adopted international accounting standards.

3.3 The Securities and Exchange Commission (SEC)

The Securities and Exchange Authority in Pakistan prepared the Securities and Exchange rules, 1971 which came into force on March 19, 1971. The Securities and Exchange Ordinance, 1969 was passed and enforced in the then Pakistan and at the same time the Securities and Exchange Authority (SEA) was established. The accounting rules were included in the legislation applicable to those companies who were trading on the stock exchanges in Pakistan (including Dhaka Stock Exchange). After the independence of Bangladesh in 1971, this Ordinance was accepted as existing law in Bangladesh, but no Securities and Exchange Authority (SEA) was established. In 1987, the Government of Bangladesh took some important steps to enforce the aforesaid Ordinance and rules. As a result the Investment Wing of the Finance Division of the Ministry of Finance passed and enforced the securities and exchange Rules (SER), 1987. The SER became effective in September, 1987 following the Securities and Exchange Authority to regulate the disclosure and Accounting practices of listed companies in Bangladesh.(Nicholls and Ahmed, 1995). The SER, 1987 is applicable to companies that are trading on the stock exchanges in Bangladesh. In 1993, the Securities and Exchange Commission Act 1993 was passed and the Securities and Exchange Commission (SEC) was established with the work to protect investors, to promote and develop capital market and to regulate securities market in Bangladesh. Any company intends to raise capital from public must require prior approval of the SEC. The SEC of Bangladesh was granted regular membership of the International Organization of Securities Commission in 1995. The objectives the SEC of Bangladesh are (a) protection of the interest of the investors' securities; (b) regulation and development of securities market; and (c) ensuring proper issuance of securities and compliance of law relating to securities. The SEC is the most important regulatory authority who provides the guarantee that the investors will not be the prey to any fraudulent and unfair trade practices to securities they traded.

The accounting and auditing standards as adopted by the ICAB have legal backing as the SEC of Bangladesh made these standards as mandatory. As a result, the quality of financial disclosure by the listed companies will be improved. At the same time, the auditing of the listed companies is expected to be improved if the concerned accountancy firms follow these auditing standards properly. Several accounting and auditing standards are expected to be adopted in near future. In the cases of Bangladesh the maximum time limit to prepare corporate annual reports or financial statements for presentation at the annual general meeting is nine months from the accounting year end. In 1999, the SEC decided to conduct special audit on several listed companies that failed to hold their scheduled annual general meetings in time. At the same time SEC imposed a penalty of Taka 10,000 for each day of defaulting. Such steps will ensure timely AGM as well as publication of the annual reports of the listed companies in Bangladesh.

A majority of the listed companies (around 150) did not declare any dividend. There are companies that earned adequate profit to declare reasonable dividend (25%-35%). However, some companies declare nominal dividend (5% to 15%) dividend. The SEC of Bangladesh imposed some penalties including restriction of trading their shares at the stock exchanges in Bangladesh.

3.4 Corporate Governance in Bangladesh

Since the stock market debacle and aftermath of the 1997 financial crisis in Asia, and in view of recent corporate scandals in the USA and other developed countries, the concern about corporate governance has increased in Bangladesh and elsewhere. The moral hazard problems created an atmosphere in which political skills are more important to success than is the business skills. The majority of these failures have been attributed to an absence or dereliction of efficient disclosure and corporate governance (Okeahalam, 2004).

It has been argued that in most developing countries the reform process through corporate governance has been difficult and slower than expected due to the complexity and path dependency of the economic, social, legal structures and law enforcement in these countries is compromised the fact that the courts are under-financed, under resourced and lack the necessary expertise (Ararat and Ugar, 2003). Unfortunately, very little is known about the Corporate Governance practices in Bangladesh. One of the most important barriers for conducting a study is the difficulty of obtaining relevant information. The easiest source of information is the corporate laws and very little information is available with respect to the practice of corporate governance in Bangladesh.

3.5 Guideline of Corporate Governance by Securities and Exchange Commission of Bangladesh (SECB)

Under the condition of SEC's notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated 20th February 2006 issued under section 2CC of the Securities and Exchange Commission Ordinance 1969, Securities and Exchange Commission gives some guidelines to the companies which are enlisted under SEC and all the company under SEC need to follow those guidelines. If they did not follow, then they are advised to mention the reasons. The guidelines contain four different part and these are- Board of Directors; Chief Financial Officer(CFO), Head of Internal Audit and Company Secretary; Audit Committee; Statutory/ External Auditors engaged or not.

3.5.1 Board of Directors

In case of board size, the number of board members of the company should be less than 5 (five) and more than 20 (twenty). Besides every company should encourage independent directors who are effective and the independent director should be appointed by the elected directors. Accordindg to Fama and Jensen (1983**,** cited in Hasan, Hossain, and Swieringa, 2013), **'[t]**he board, which comprises of a number of independent directors, has a greater monitoring and controlling ability over management**'**. In this case, the number of independent directors should be one out of ten boards of directors. Moreover, the chairman of the board and Chief Executive Officer (CEO) must be different person and what is their respective role and responsibility would be clearly defined by the board of directors. In some Asian Countries (e.g., Japan), the board of directors seems to serve mainly ceremonial purposes since they do not represent the shareholders' interest. However, it is not possible to find out whether corporate boards are ceremonial in nature or effective decision-making bodies.

The directors of the companies should disclose some other information to shareholder-

- Fairness of state of affairs/ Financial Statements
- Maintenance proper books of accounts
- Consistent application of accounting policies in preparation of financial
- Compliance with International Accounting Standard
- Soundness and efficiency of internal control system
- Ability of Company to continue as a going concern
- Significant deviations from last year in operating results
- Presentation of key operating and financial data for last three years
- Declare dividend
- Number of board meetings held during the year and attendance by each director
- Sharing Pattern

3.5.2 Chief Financial Officer (CFO), Head of Internal Audit and Company Secretary

In this part, the company should appoint a CFO, a Head of Internal Audit and Company Secretary. Moreover, the Board of Directors should clearly define the respective role and responsibility of those particular appointed person. The Cadbury Committee on Corporate Govrnence (Cadbury, 1995 cited in Kha et al, 2009) reconized the company secretary's unique position as a key role in ensuring that board procedures are followed and regularly reviewed. Besides, the attendance in board meeting of those particular appointed person is also essential which a company should disclose in the annual report.

3.5.3 Audit Committee

Audit committee of a company should act as a subcommittee of the Board of Directors. This committee will responsible to the Board of Directors and ensure that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business. Moreover, the argument to reduce agency conflicts, audit committee act as a monitoring mechenism and their act has been emphasized by many researchers(e.g., Abbot and Parker, 2000; Chen et al. 2005, Kha et al, 2009). The duties of the audit committee are-

- ✓ Audit committee should be composed of at least 3 members and out of them 1 should be independent directors.

- ✓ If the member number becomes less than 3, then the Board of Director should appoint new member immediately or not later than 1 month from the vacancy.
- ✓ The Board of Directors should select a chairman of the Audit Committee who should a professional qualification or knowledge, understanding and experiencing in accounting or finance

There are some other factor that the Audit Committee should report to the Board of Directors, Authorities and the Shareholders and General Investors. This are-

- ➢ All the activities should be reported to the Board of Directors but there are some factors that should report immediately to the Board of Directors.
  - (a) Report on conflict interests;
  - (b) Suspected or presumed fraud or irregularity or material defect in the internal control system;
  - (c) Suspected infringement of laws, including securities related laws, rules and regulations; and
  - (d) Any other matter which should be disclosed to the Board of Directors immediately.
- ➢ If Audit Committee monitors any material impact on the financial condition, then they will discuss with the Board of Director. If any rectification is necessary about this matter but neither Board of Director nor management takes care regarding this matter, then Audit Committee should report to the Commission. In this case, Audit Committee should consider two thing which occur earlier-
  - (a) They will inform Board of Director for three times, or
  - (b) They have to wait a period of nine months from the date of first reporting to the Board of Directors.
- ➢ Those four factors should report immediately to the Board of Directors, should be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company

3.3.4 External/ Statutory Auditors

The company should not engage its external auditors to perform the following services of the company; namely-

- o Appraisal or valuation services or fairness opinions;
- o Financial information systems design and implementation;
- o Book-keeping or other services related to the accounting records or financial statements;
- o Broker-dealer services;
- o Actuarial Services;
- o Internal audit services; and
- o Any other services that the Audit Committee determines.

3.3.5 Reporting the Compliance in the Director's Report

The directors of the company shall state, in accordance with the annexure attached, in the directors' report whether the company has complied with these conditions.

4.1 Purpose of the Study

The main purpose of this study is to find out the relation and influence of certain independent variable that act as corporate governance factors to overall disclosure index in the banking sector in Bangladesh. The chosen actors for corporate governance are board size, percentage of independent director to total members on board, percentage of insider ownership and percentage of audit committee member to total member on the board. There are other factors like firm size, total capital and leverage. This study finds out the relation of all this factors with overall disclosure index.

4.2 Scope of the Study

The Scope of the study was confined to the listed banks under DSE and CSE. As all the banks are incorporated and enlisted under DSE and CSE, the standard of corporate governance factors is also similar. These thirty banks have been compared on the basis of the corporate governance and its requirement like Board of Directors, Chief Financial Officer (CFO), Company Sectary (CS), Head of Internal Audit (HIA); Audit Committee and External Auditor cannot engage in some specific job.

4.3 Objective of the Study

The objective of corporate governance can be achieved by putting in place standards, transparency requirements and monitoring and compliance mechanisms that corporations must adhere to (World Bank Group, 1999, 2002). The main objective of the present study is to compare the corporate governance among 30 banks enlisted under Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) in Bangladesh

5.0 Research Methods and Methodology

This study has been conducted based on quantitative and qualitative approach. There are 47 schedule banks in Bangladesh. Out of those, 30 banks are enlisted under Dhaka Stock Exchange (DSE). Secondary data from the annual report has been used to conduct this study. The annual reports of 2011 for each bank were analyzed to conduct this study. This annual reports are mostly available in the banks website and DSE library provides a huge range of annual reports. The information of the annual reports is used to find out the disclosure level that each bank made to ensure their highest Corporate Governance. Besides, the query from the banks has also played a vital role to conduct this study. In this case, the guideline of SEC has been used for the study. There were 36 points that ensure whether a company maintains corporate governance or not. Both qualitative and quantitative information is present in those 36 points. For the quantitative information, annual reports were sufficient to conduct this study. But it was not enough for the qualitative information. In that case, banks disclosure points were correlated with the findings from the annual reports and consulting with the experts.

5.1 Sample Selection

Table-1: Percentage of Sample comparing Total Population

Particular	Population Size	Sample Size	Sample as Percentage of Population
Banks	47	30	63.83%

For a research, 30% sample should be covered; whereas, this study has covered 63.83% sample. On the other hand, this study has been focused only on the specific banks enlisted under DSE. A almost similar type of study has been done by Hasan and Hossain (2012), where total sample number was tweenty for four different industries. Each industry consists of five individual company.

5.2 Selection of Disclosure Items

The summary of the checklists that each bank under DSE should disclosed given in the table-2 below:

Table 2- Selection of Disclosure Items

Particulars	**Disclosure key**	**Total Item**	
		Number	**Percentage (%)**
Board of **D**irectors	BD	15	41.67
Chief Financial Officer(CFO), **H**ead of Internal Audit and **C**ompany Secretary	CHC	2	5.56
Audit **C**ommittee	AC	12	33.33
Statutory/ External **A**uditors not to engage in	SA	7	19.44
Overall Disclosure		36	100%

In the above table, there are four (4) disclosures key which are made short from the particular part. The bold and underlined alphabets of each word have been taken to represent as short disclosure key form.

5.3 Scoring of Disclosure Items

All the 36 items were considered equally important. When a company discloses an item in annual report, point “1” is awarded. But the score will be “0”, when the item does not appear.

5.4 Formula of Disclosing Index

There are two types of approach to calculate the disclosure index and this are-

- Dichotomous Approach
- PC or Partial Compliance Approach

These two indexes can be weighted and unweighted. In case of weighted approach, all value of disclosure carries weight which is generally assigned by researcher. On the other hand, all the items under unweighted approach are considered as equally important. This study has been done with the unweighted approach where all the disclosure value carries equal importance.

Dichotomous Approach

ODI= (Σdmi/Σdni)

Where, d= 1 if an item is disclosed and 0 if an item is not disclosed

m= number of item disclosed

n= maximum number of disclosure items possible

PC Approach

In case of Partial Compliance Approach, unweighted method was used to measure the overall disclosure

$PC_j = (\sum x_i / R_j)$

Where,

PC_j= Total compliance score for each company and $0 \le PCj \le 1$.

X_i= Level of compliance with each part of disclosure requirement.

I= 1

R_j= Total number of disclosure part of each company.

5.5 Construction of Disclosure Index

Both the Partial Compliance Unweighted (PC) Approach and Dichotomous Approach has been used to conduct the study. Hasan and Hossain (2012, p.17) stated that PC approach shows more accurate result than

Dichotomous Approach. Suppose there are five sections of disclosure X, Y, Z, A and B. Their possible item to be disclosed and the ultimate disclosed items are bellow:

Table 3- Hypothetical data using to show the calculation through PC and Dichotomous method

Particulars	**Item can be disclosed**	**Disclosed Item (Case 01)**	**Disclosed Item (Case 02)**
X	3	3	1
Y	6	3	3
Z	11	9	11
Total	20	15	15

The PC and Dichotomous approach for **Case 01** will be

Under PC Approach,

ODI= (3/3+3/6+9/11)/3=0.77 or 77%

Under Dichotomous approach

ODI=15/20= 0.75 or 75%

Conversely, if the company discloses like **Case 02**,

Under PC Approach,

ODI= (1/3+ 3/6+ 11/11)/3= 0.61 or 61%

Under Dichotomous approach

ODI=15/20= 0.75 or 75%

The PC approach provides more accurate result than Dichotomous Approach.

5.6 Annual Report of Sample Companies

The annual reports of following 30 banks enlisted in DSE were collected from various sources.

Table 4- Banks name that are used to conduct the research.

Serial No.	**Banks Name**	**Company Key**
1.	AB Bank Limited	ABBL
2.	Al-Arafah Islami Bank Limited	AAIBL
3.	Bank Asia Limited	BAL
4.	BRAC Bank Limited	BBL
5.	The City Bank Limited	CBL
6.	Dhaka Bank Limited	DBL
7.	Dutch-Bangla Bank Limited	DBBL
8.	Eastern Bank Limited	EBL
9.	Export Import Bank of Bangladesh Limited	EXIMBBL
10.	First Security Islami Bank Limited	FSIBL
11.	Islami Bank Bangladesh Limited	IBBL
12.	ICB Islamic Bank Limited	ICBIBL
13.	IFIC Bank Limited	IFICBL
14.	Jamuan Bank Limited	JBL
15.	Mercantile Bank Limited	MBL
16.	Mutual Trust Bank Limited	MTBL
17.	National Bank Limited	NBL
17.	National Credit and Commercial Bank Limited	NCCBL
19.	ONE Bank Limited	ONEBL
20.	Premier Bank Limited	PREBL
21.	Prime Bank Limited	PRIBL
22.	Pubali Bank Limited	PUBL
23.	Rupali Bank Limited	RBL
24.	Shahjalal Islami Bank Limited	SHIBL
25.	Social Islami Bank Limited	SIBL
26.	Southeast Bank Limited	SEBL
27.	Standard Bank Limited	SBL
28.	Trust Bank Limited	TBL
29.	United Commercial Bank Limited	UCBL
30.	Uttara Bank Limited	UBL

The short form of each bank is also shown under the headline of the Company Key and this is also made to do the further work in an easy way.

5.7 Check List

SEC's guideline consists of 36 points that a company should disclose to maintain proper Corporate Governance. This check list is given as bellow:

Table 5- Check list that is found out to conduct this research

Company Name

Clause	**Check list**	
1	**Board of Directors**	
1.1	1. Board's Size	
1.2(i)	2. Independent Directors	
1.2(ii)	3. Appointment of independent Non-shareholder Director	
1.3	4. Chairman and Chief Executive	
1.4	**The directors Report to shareholders**	
	5. Fairness of state of affairs/ Financial Statements	
	6. Maintenance proper books of accounts	
	7. consistent application of accounting policies in preparation of financial	
	8. Compliance with International Accounting Standard	
	9. Soundness and efficiency of internal control system	
	10. Ability of Company to continue as a growing concern	
	11. Significant deviations from last year in operating results	
	12. Presentation of key operating and financial data for last three years	
	13. Declare dividend	
	14. Number of board meetings held during the year and attendance by each director	
	15. Sharing Pattern	
2.	**Chief Financial Officer(CFO), Head of Internal Audit and Company Secretary**	
2.1	16. Appointment of CFO, Head of Internal Audit and Company Secretary	
2.2	17. Attendance of CFO and Company Secretary in Board Meeting	
3.	**Audit Committee**	
3.1	18. Composition of Audit Committee	
	19. Inclusion of one Independent Directors in the Audit Committee	
	20. Filling of Causal vacancy in Audit Committee	
	21. Chairman of Audit Committee	
	22. Audit Committee Chairman's Professional Qualification	
3.3	**Reporting of Audit Committee**	
3.3.1	23. Reporting to the Board of Directors	
	24. Conflict of Interest	
	25. Suspected materials defect in internal control system	
	26. Suspected infringement of laws	
	27. Any other matter	
3.3.2	28. Reporting to the Authorities	
3.4	29. Reporting to the shareholders	
4.	**Statutory/ External Auditors not to engage in**	
	30. Appraisal or valuation services	
	31. Financial system design and implementation	
	32. Book keeping or other services related to Financial Statements	
	33. Broker- Dealer services	
	34. Actuarial Services	
	35. Internal Audit Services	
	36. Any other services that the Audit Committee determines	
	TOTAL DISCLOSURE POINTS	

5.8 Technique of Statistics

Different measurement of disclosure like Dicthomous method, Partial Compliance method is used to know the overall disclosure index. Besides, three pair of variables was analyzed to find out the influence between each other through Chi-Square Tests.

5.9 Research Hypotheses

Two sets of hypotheses have been set to conduct this study. First set of hypotheses will be analyzed through Chi-square test and cross tabulation. On the other hand, second set will be examined by descriptive statistics, correlation and regression analysis.

5.9.1 First Set of Hypothesis

H_1: There is significant influence between Board's Size and Independent Directors

H_2: There is significant influence between Board's Size and Number of board meeting held during the year and attendance by each director.

H_3: There is significant influence between Independent Directors and Inclusion of one Independent Director in the Audit Committee.

5.9.2 Second Set of Hypotheses

The main objective of this study is to find out the relation between the disclosure of Corporate Governance and banking sector in Bangladesh. Certain variable has been used to find out this relation like- board size, Independent Director, Insider Ownership and audit committee.

Board Size:

Chen and Jaggi (2000) argue that the probability of reducing information asymmetry can be the result of more directors in the board. On the other hand, Zahra, et al. (2000) argues the information procession become faster because of small board. However, it is been considered that more number of directors in a board will promote the company, so that, it can perform its activities in a greater way. As a result, the chance of disclosure will be high. So, the hypotheses that has been set in this study-

H_1: Board Size is positively related to the Overall Disclosure Index.

Independent Director

Independent directors act as trustees to create trust between a company and its investors through their active involvement with the board that ensures a good Corporate Governance (Bose, 2009). Besides, Independent directors are more independent when make judgment when they are in the boardroom and plays a key role to protect the interest of shareholders (Liu and Yang, 2008). Besides, the inclusion of a great number of independent directors on board can lead to more voluntary disclosure in the firm (Leftwich, Watts and Zemmerman, 1981). So the hypotheses that has been set to conduct this study is-

H_2: *A higher proportion of Independent Director on the board is positively related to Overall Disclosure Index.*

Insider Ownership

The governance structure of public limited companies is also responsible for the weak condition in that these companies prefer to keep ownership holdings within the family connections i.e., closely-held companies. It is revealed that in Bangladesh 72.5% of the outstanding shares are owned by households/ sponsors and individuals. Insignificant concentration is observed by bank and financial institutions i.e., 3.1 % and foreigners held 16% and Government/financial institutions held only 16% of the outstanding shares in 2000 (Chowdhury, 2006). It is also reported that even when the company is listed on the stock exchange, few shares are available for trading, as majority remain held by the original sponsors. The original sponsors often buy additional shares from the market to raise their holdings to as high as 70 percent or 80 percent though shares are floated in the primary market on 50:50 basis (Chowdhury, 2006). The argument about insider or outsider ownership that led to firm performance through proper corporate governance is a controversial matter. Han and Suk (1998) depict that better performance can be led through the increase of director ownership. However, Hossain et al., (1994) illustrate that wide spread of ownership causes more information disclosure in the firm. Considering all factors, the hypotheses that has been set is that-

H_3: Insider Ownership is negatively related Overall Disclosure Index.

Audit Committee

Effective audit committee can influence to disclose corporate governance factors properly which will ultimately led to less fraud in the firms. A statement suggested by shareholders more than a decade earlier is that it is possible to decrease the fraudulent financial reporting through the improvement of effective audit committee (NCFFR, 1987; POB, 1993; Levitt, 1998; Myers and Zeigenfuess, 2006). Furthermore, external auditors get assistance from audit committee through their analysis, findings and recommendations (Puri, Trehan and Kakkar, 2010). So the hypotheses will be-

H_4: *A Higher Proportion of audit committee members on the board are positively related to Overall Disclosure Index.*

5.10 Regression Model and Variable Defined

To conduct this study, ordinary least squares (OLS) regression has been used to analyze the relationship between Dependent Variables (ODI) and Independent Variables. The following regression is used to estimate this study-

$ODI= \infty + \beta_1 BS + \beta_2 PIND + \beta_3 PIO + \beta_4 PAC + \beta_5 TA + \beta_6 TC + \beta_7 LEV + \varepsilon$

Here,

ODI	Overall Disclosure Index
BS	Board Size
PIND	Percentage of Independent Directors to Total Members on Board
PIO	Percentage of Insider Ownership to Total Share on Bank
PAC	Percentage of Audit Committee Member to Total Member on Board
TA	Total Asset in Millions of Bangladeshi Taka
TC	Total Capital in Millions of Bangladeshi Taka
LEV	Ratio of Total Debt to Total Equity

Table 6-List of Variables, Levels, Expected Signs and Relationship in the Regression

Variables Labels in the OLS	Description of variables	Expected sign and relationship
ODI	Overall Disclosure Index (Partial Compliance)	Index
β_1 BS	BS represents Board size represents total number of board members in each bank	(+) BS has a significant positive relationship with ODI.
β_2 PIND	PIND represents Percentage of Independent Directors to Total Members on Board	(+) PIND has a significant positive relationship with ODI.
β_3 PIO	PIO represents Percentage of Insider Ownership to Total Share on the Banks	(-) PIO is negatively related to the ODI.
β_4 PAC	PAC represents Percentage of Audit Committee Member to Total Members on Board	(+) PAC has a significant positive relation with the ODI.
β_5 TA	TA represents Total Asset in Millions of Bangladeshi Taka	(+) TA is associated positively with ODI.
β_6 TC	TC represents Total Capital in Millions of Bangladeshi Taka	(+)TC is associated positively with ODI.
β_7 LEV	LEV represents Ratio of Total Debt to Total Equity	(+) LEV has a significant positive relationship with ODI.

6.0 Results and Discussions

6.1 Discussion of ODI (Dichotomous and PC Approach):

Table 7: Overall Disclosure Index through Dichotomous Procedure

Serial No.	Company Key	Disclosure Analysis through Dichotomous Approach					
		BD(15)	CHC(2)	AC(12)	SA(7)	Total Disclosure (36)	ODI
1	ABBL	15	1	12	7	35	0.97
2	AAIBL	15	1	11	7	34	0.94
3	BAL	14	1	11	7	33	0.92
4	BBL	14	1	11	7	33	0.92
5	CBL	13	1	10	7	31	0.86
6	DBL	13	1	10	7	31	0.86
7	DBBL	14	2	11	7	34	0.94
8	EBL	15	2	11	7	35	0.97
9	EXIMBBL	12	1	11	7	31	0.86
10	FSIBL	11	1	10	7	28	0.81
11	IBBL	15	1	11	7	34	0.94
12	ICBIBL	11	2	11	7	31	0.86
13	IFICBL	14	1	11	7	33	0.92
14	JBL	13	1	10	7	31	0.86
15	MBL	12	1	10	7	30	0.83
16	MTBL	11	1	10	7	29	0.81
17	NBL	12	1	10	7	30	0.83
18	NCCBL	11	1	11	7	30	0.83
19	ONEBL	14	2	11	7	34	0.94
20	PREBL	14	1	11	7	33	0.92
21	PRIBL	14	2	11	7	34	0.94
22	PUBL	14	1	11	7	33	0.92
23	RBL	12	2	10	7	31	0.86
24	SHIBL	13	1	11	7	32	0.89
25	SIBL	13	1	10	7	31	0.86
26	SEBL	14	1	12	7	34	0.94
27	SBL	13	2	11	7	33	0.92
28	TBL	13	2	11	7	33	0.92
29	UCBL	12	1	11	7	31	0.86
30	UBL	14	1	11	7	33	0.92
ODI		13.17	1.27	10.77	7	32.17	0.89

Table 7 shows that highest ODI is 97% in the ABBL and EBL. On the other hand, lowest ODI is 81% in FSIB and MTBL. The Overall Disclosure Index in 89%.

Table 8- Overall Disclosure Index through PC Approach

Serial No.	Company Key	Disclosure Analysis Through PC or Partial Compliance Approach									
		BD(15)	PC(BD)	CHC(2)	PC(CHC)	AC(12)	PC(AC)	SA(7)	PC(SA)	Total Disclosure (36)	ODI
1	ABBL	15	1	1	0.5	12	1	7	1	3.5	0.88
2	AAIBL	15	1	1	0.5	11	0.92	7	1	3.42	0.85
3	BAL	14	0.93	1	0.5	11	0.92	7	1	3.35	0.84
4	BBL	14	0.93	1	0.5	11	0.92	7	1	3.35	0.84
5	CBL	13	0.87	1	0.5	10	0.83	7	1	3.2	0.8
6	DBL	13	0.87	1	0.5	10	0.83	7	1	3.2	0.8
7	DBBL	14	0.93	2	1	11	0.92	7	1	3.85	0.96
8	EBL	15	1	2	1	11	0.92	7	1	3.92	0.98
9	EXIMBBL	12	0.8	1	0.5	11	0.92	7	1	3.22	0.80
10	FSIBL	11	0.73	1	0.5	10	0.83	7	1	3.07	0.77
11	IBBL	15	1	1	0.5	11	0.92	7	1	3.42	0.85
12	ICBIBL	11	0.73	2	1	11	0.92	7	1	3.65	0.91
13	IFICBL	14	0.93	1	0.5	11	0.92	7	1	3.35	0.84
14	JBL	13	0.87	1	0.5	10	0.83	7	1	3.2	0.8
15	MBL	12	0.8	1	0.5	10	0.83	7	1	3.13	0.78
16	MTBL	11	0.73	1	0.5	10	0.83	7	1	3.07	0.77
17	NBL	12	0.8	1	0.5	10	0.83	7	1	3.13	0.78
18	NCCBL	11	0.73	1	0.5	11	0.92	7	1	3.15	0.79
19	ONEBL	14	0.93	2	1	11	0.92	7	1	3.85	0.96
20	PREBL	14	0.93	1	0.5	11	0.92	7	1	3.35	0.84
21	PRIBL	14	0.93	2	1	11	0.92	7	1	3.85	0.96
22	PUBL	14	0.93	1	0.5	11	0.92	7	1	3.35	0.84
23	RBL	12	0.8	2	1	10	0.83	7	1	3.63	0.91
24	SHIBL	13	0.87	1	0.5	11	0.92	7	1	3.28	0.82
25	SIBL	13	0.87	1	0.5	10	0.83	7	1	3.2	0.8
26	SEBL	14	0.93	1	0.5	12	1	7	1	3.43	0.86
27	SBL	13	0.87	2	1	11	0.92	7	1	3.78	0.95
28	TBL	13	0.87	2	1	11	0.92	7	1	3.78	0.95
29	UCBL	12	0.8	1	0.5	11	0.92	7	1	3.22	0.80
30	UBL	14	0.93	1	0.5	11	0.92	7	1	3.35	0.84
	Average	13.1667	0.88	1.27	0.63	10.77	0.90	7	1	3.40	**0.85**

The above table shows that highest ODI is 98% in the EBL. On the other hand, lowest ODI is 77% in FSIB and MTBL. The Overall Disclosure Index in 85%. Besides, all banks disclosed more information from SA item and the level is 100%; while, lowest number of item were disclosed in CHC (63%). Furthermore, the second and third disclosure items are AC (90%) and BD (88%) respectively.

6.2 Discussion of First Set of Hypotheses

H_1: There is significant influence between Board's Size and Independent Directors.

Table 9- Board's Size * Independent Directors Cross tabulation

Count

		Independent Directors		
		No	Yes	Total
Board's Size	No	4	0	4
	Yes	12	14	26
Total		16	14	30

The above Cross tabulation chart indicates that out of 30 banks, 26 banks disclose and follow the rules of SEC in case of Board's size. On the other hand, only 14 banks follow the rules in case of Independent Directors. But, 14 banks have followed both the rules of Board's size and Independent Directors; whereas, 4 banks have not followed those rules.

Table 10-Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	4.038[a]	1	.044		
Continuity Correction[b]	2.165	1	.141		
Likelihood Ratio	5.566	1	.018		
Fisher's Exact Test				.103	.066
Linear-by-Linear Association	3.904	1	.048		
N of Valid Cases[b]	30				

a. 2 cells (50.0%) have expected count less than 5. The minimum expected count is 1.87.

b. Computed only for a 2x2 table

The above Chi-Square Test indicates that significant level (.103) is more than (.05). So, H_0 is accepted. Now, it can be said that there is not significant influence between Board's Size and Independent Directors.

H_2: There is significant influence between Board's Size and Number of board meeting held during the year and attendance by each director.

Table 11-Board's Size * Number of board meetings held during the year and attendance by each director Cross tabulation

Count

		Number of board meetings held during the year and attendance by each director		Total
		No	Yes	
Board's Size	No	1	3	4
	Yes	3	23	26
Total		4	26	30

The above Cross tabulation chart indicates that out of 30 banks, 26 banks disclose and follow the rules of SEC in case of Board's size and Number of board meetings held during the year and attendance by each directors. But, 23 banks have followed both the rules of Board's size and Number of board meetings held during the year and attendance by each director; whereas, 1 banks have not followed those rules.

Table 12-Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.544[a]	1	.461		
Continuity Correction[b]	.000	1	1.000		
Likelihood Ratio	.465	1	.495		
Fisher's Exact Test				.454	.454
Linear-by-Linear Association	.526	1	.468		
N of Valid Cases[b]	30				

a. 3 cells (75.0%) have expected count less than 5. The minimum expected count is .53.

b. Computed only for a 2x2 table

The above Chi-Square Test indicates that significant level is .454 which is more than .05. So, H_0 is accepted. As a result, it can be said that there is not significant influence between Board's size and Number of board meetings held during the year and attendance by each director.

H_3: There is significant influence between Independent Directors and Inclusion of one Independent Director in the Audit Committee.

Table 13- Independent Directors * Inclusion of one Independent Directors in the Audit Committee Cross tabulation

Count

		Inclusion of one Independent Directors in the Audit Committee		
		No	Yes	Total
Independent Directors	No	10	6	16
	Yes	1	13	14
Total		11	19	30

The above Cross tabulation chart indicates that out of 30 banks, 14 banks disclose and follow the rules of SEC in case of Independent Directors and 19 banks do that for the Inclusion of one Independent Directors in the Audit Committee. But, 13 banks have followed both the rules of Independent Directors Inclusion of one Independent Directors in the Audit Committee; whereas, 10 banks have not followed those rules.

Table 14- Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	9.853[a]	1	.002		
Continuity Correction[b]	7.613	1	.006		
Likelihood Ratio	11.055	1	.001		
Fisher's Exact Test				.002	.002
Linear-by-Linear Association	9.525	1	.002		
N of Valid Cases[b]	30				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.13.

b. Computed only for a 2x2 table

The above Chi-Square Test indicates that significant level is .002 which is less than .05. So, H_0 is rejected**.** As a result, it can be said that there is significant influence between Independent Directors and Inclusion of one Independent Directors in the Audit Committee.

In the table 14, highest CV denotes that there is less consistency in disclosing information; while, lowest CV refers to more consistency in disclosing information. Here, EBL is in top position as its CV is lowest (4.08%) among the 30 enlisted banks under DSE. On the other hand, ABBL is in the bottom (30^{th} position) as its CV is 28.57% which is highest among those banks.

6.3 Sample Companies Ranking
Table 15- Descriptive statistics

Company Key	Descriptive Statistics			Rank
	ODI	SD	CV	
ABBL	0.875	0.25	0.285714	30
AAIBL	0.855	0.23965	0.280292	26
BAL	0.8375	0.2278	0.272	16
BBL	0.8375	0.2278	0.272	16
CBL	0.8	0.21276	0.26595	11
DBL	0.8	0.21276	0.26595	11
DBBL	0.9625	0.04349	0.045184	2
EBL	0.98	0.04	0.040816	1
EXIMBBL	0.805	0.21932	0.272447	22
FSIBL	0.765	0.20889	0.273059	24
IBBL	0.855	0.23965	0.280292	26
ICBIBL	0.9125	0.12738	0.139595	8
IFICBL	0.8375	0.2278	0.272	16
JBL	0.8	0.21276	0.26595	11
MBL	0.7825	0.20791	0.2657	9
MTBL	0.765	0.20889	0.273059	24
NBL	0.7825	0.20791	0.2657	9
NCCBL	0.7875	0.22262	0.282692	29
ONEBL	0.9625	0.04349	0.045184	2
PREBL	0.8375	0.2278	0.272	16
PRIBL	0.9625	0.04349	0.045184	2
PUBL	0.8375	0.2278	0.272	16
RBL	0.9075	0.10751	0.118468	7
SHIBL	0.8225	0.22157	0.269386	15
SIBL	0.8	0.21276	0.26595	11
SEBL	0.8575	0.24061	0.280595	28
SBL	0.9475	0.06397	0.067515	5
TBL	0.9475	0.06397	0.067515	5
UCBL	0.805	0.21932	0.272447	22
UBL	0.8375	0.2278	0.272	16

6.4 Sample Companies Attitude
Table 16- Ranking of Disclosure Components

Disclosure key	Mean	SD	CV	Percentage	Rank	Comments
SA	1.0000	0.0000	0.0000	0.0000	1	Consistency is more in this section
AC	0.8983	0.04969	0.055316	5.53156	2	
BD	0.8770	0.08408	0.095872	9.587229	3	
CHC	0.6333	0.22489	0.355108	35.51082	4	Consistency is less in this section

Same as above, highest CV denotes less consistency in disclosing information and lowest CV explains more consistency in disclosing information. The above table shows that SA, AC and BD have more consistency 0%, 5.53% and 9.59% respectively. On the other hand, CHC is less consistent as its CV is 35.51%.

6.5 Results of Descriptive Statistics

Table 17- Descriptive Statistics for All Variables

	Mean	Minimum	Maximum	Std. Deviation
ODI	.8523	.77	.98	.0654
BS	15.73	5.00	27.00	5.01
PIND	4.89	.00	16.67	4.28
PIO	.3632	.0455	.9277	.2053
PAC	28.66	15.00	60.00	11.07
TA	121080.40	18015.00	389192.00	62780.65
TC	11396.033	-7601.00	33717.00	7181.88
LEV	9.69	-3.37	19.21	3.72
ODI	Overall Disclosure Index			
BS	Board Size			
PIND	Percentage of Independent Directors to Total Members on Board			
PIO	Percentage of Insider Ownership to Total Share on Bank			
PAC	Percentage of Audit Committee Member to Total Member on Board			
TA	Total Asset in Millions of Bangladeshi Taka			
TC	Total Capital in Millions of Bangladeshi Taka			
LEV	Ratio of Total Debt to Total Equity			

Descriptive statistics for sample companies are reported on table #. This table shows that Overall Disclosure Index (ODI) is 85.23% with a maximum (98%) and minimum (77%) where the standard deviation is 6.54%. The average number of board members is 15.73 where the maximum and minimum are 27 and 5 respectively. In case of Independent Directors, 4.89% directors on the board are independent directors where some companies have no independent directors. Besides, the percentage of inside ownership is 36.32 on average with a 4.55% (minimum) and 92.77% (maximum). Though the highest and lowest percentages of audit committee member to total members on board are 60% and 15% respectively, the average percentage is 28.67%. Average bank size in Bangladesh is Tk. 121068.40 millions. The highest bank size is Tk. 389192 million; while, the lowest bank size is Tk. 18015 millions. On the other hand, some companies have negative capital amount and leverage though their average mean is positive.

6.6 Discussion of Correlation Analysis

Table 18- Pearson Correlation Analysis Result (N=30)

Variables	**ODI**	**BS**	**PIND**	**PIO**	**PAC**	**TA**	**TC**	**LEV**
BS	-.283	1.000						
PIND	.391*	-.336	1.000					
PIO	.196	-.062	-.163	1.000				
PAC	.281	-.763**	.249	-.17	1.000			
TA	-.037	.234	.050	-.10	-.221	1.000		
TC	-.078	.306	-.019	-.25	-.285	.903**	1.000	
LEV	-.202	.129	.348	.043	-.349	.136	.033	1.000
Correlation is significant at the .05 level (2-tailed)* Correlation is significant at the .01 level (2-tailed)**								
ODI	Overall Disclosure Index							
BS	Board Size							
PIND	Percentage of Independent Directors to Total Members on Board							
PIO	Percentage of Insider Ownership to Total Share on Bank							
PAC	Percentage of Audit Committee Member to Total Member on Board							
TA	Total Asset in Millions of Bangladeshi Taka							
TC	Total Capital in Millions of Bangladeshi Taka							
LEV	Ratio of Total Debt to Total Equity							

6.7 Multicollinearity Test

This study is conducted on the individual effect of the Independent variables with the ODI. So the test of multicollinearity has been done using the Pearson Correlation Matrix. The analysis shows that one correlation coefficient on total capital is greater than the threshold level of 0.80. However, Kaplan (1982) suggests that multicollinearity may be a problem when the correlation between independent variables is 0.90 or above.

However, Emory (1982) considered more than 0.80 to be problematic. It is evident from the table that the magnitude of the correlation between variables seems to indicate no severe multicollinearity problems. The result shows that all the variables remained significant with the sign that was predicted. As a result, the existence of multicollinearity does not have any threat to the result got in the regression equation. Hence, the variable was kept in the regression model.

6.8. Discussion of Regression Analysis

Table 19- Ordinary Least Square **(**OLS) Regression

	Coefficient	Standard Error	Beta t values	Significance
BS	.001	.004	.207	.838
PIND	.009	.003	2.801	.010
PIO	.111	.065	1.709	.102
PAC	.001	.002	.403	.691
TA	-5.11E-008	.000	-.111	.913
TC	8.59E-007	.000	.201	.842
LEV	-.007	.004	-1.734	.097
Correlation is significant at the .05 level (2-tailed)* Correlation is significant at the .01 level (2-tailed)**				
ODI	Overall Disclosure Index			
BS	Board Size			
PIND	Percentage of Independent Directors to Total Members on Board			
PIO	Percentage of Insider Ownership to Total Share on the Banks			
PAC	Percentage of Audit Committee Member to Total Members on Board			
TA	Total Asset in Millions of Bangladeshi Taka			
TC	Total Capital in Millions of Bangladeshi Taka			
LEV	Ratio of Total Debt to Total Equity			
R square= .382 Adjusted R square=.185 F value=1.942 F significance= 0.111				

Multiple regression analysis has been reported on table- 19 where the relation between ODI and other independent variables are shown. The coefficient of correlation which is known as R square, adjusted R square, F value and its significance, beta coefficients and t statistics for the regression model and summarized results of ODI with the independent variables have been shown. In this table, R square is .382 and adjusted R square is .185. Besides, the F value is 1.942 with a significant level of 0.111.

Board size has a coefficient of 0.001 which is positive and the significant level is 0.838. Thus the hypothesis 1 is not supported and depict that board size is not positively related to the ODI. This result is contrary to Hossain et al. (2009) and Zahra et al. (2000). Similarly, the regression coefficient for insider ownership is 0.111 and it is positive. It is statistically significant at the level of 0.102. Therefore hypothesis 3 is supported and describe that insider ownership is negatively related ODI. Again, the coefficient of the percentage of audit committee member to total members on board is 0.001 which is positive and it is statistically significant at 0.691. Hence, the hypothesis 4 is not supported and indicates that the percentage of audit committee members to total members on board does not impact ODI which is same as the study of Hossain et al. (2009) but inconsistent with Ho and Wong (2001).

On the other hand, percentage of independent directors to total members on board has got positive coefficient (0.009) with a significant level of 0.010 which supports hypothesis 2. The result illustrates that higher proportion of independent director on the board is positively related to ODI. This result is similar to Leftwich et al. (1981), Fama and Jensen (1983), Forker (1992), Chen and Jaggi (2000), Hossain et al. (2009) but contrary to the result of Ho and Wong (2001). Again, significant levels for these three independent variables are 0.913, 0.842 and 0.097 respectively where total assets, total capital and leverage are not statistically significant, and show that there are negative relations with ODI to firm size, total capital and leverage. This means that the higher the total assets, total capital and leverage the lower will be ODI. The result for leverage supports the evidence of Chen and Jaggi (2000). Similarly, firm size refers to the total assets did not show significant relationship with ODI which is contrary to the evidence of Ho and Wong (2001) and Ferguson et al. (2002).

Table 20- Summarized Regression Results

Variables Labels in the OLS	Expected Sign	Results
ODI		Index
β_1 BS	(+)	Not Supported
β_2 PIND	(+)	Supported
β_3 PIO	(-)	Supported
β_4 PAC	(+)	Not Supported
β_5 TA	(+)	Not Supported
β_6 TC	(+)	Not Supported
β_7 LEV	(+)	Not Supported

7.1 Conclusion

The transperancy of disclosing corporate information is increasing day by day and disclosure of companies in Bangladesh is growing as well. Though recent some cases shows some lack of corporate governance in Bangladeshi companies which causes trouble arouse. As a result, many companies are positively encouraged to ensure a sound corporate governance within their organization that ultimately leads to make a good environement in the business organizations. This research gives a positive view to all stakeholders who are associate with the banks. This type of study is conducted earlier but this study is an extention of previous study which mainly deals with the Corporate Governance disclosure in banking sector. This study can be applied to minimize scam not only in the banking sectors but also other sectors through finding the level of disclosure of corporate governance.

The findings of this study are that higher proportion of independent directors' results higher disclosure of corporate governance and more insider ownership results less corporate governance. This result gives positive result which will promote further increase of independent directors on the board. Besides, regulatory authorities will emphasize to influence and stakeholders will be positive on firms that have more outside ownership. This study has certain limitations like it is conducted on certain banks but it did not cover total population. Besides, overall disclosure index is a sensitive issue. If a point is not selected clearly then it can show contradictory result. Furthermore, it only covers the result of one year.

7.2 Recommendation and Policy Making

We need a flexible, decentralized approach to corporate management and oversight, expanded rights for minority interest, and a system of financial auditing that is increasingly independent and transparent. The Code of Conduct should be made for publicly traded companied that will serve to maintain the transparency and independence of corporate governance. Lack of corporate governance in listed companies hinders smooth growth of country's capital market and erodes investors' confidence. Corporate governance in companies in a country depends on how the country is governed. Although Government of Bangladesh cannot force companies to practice corporate governance, regulators like Securities and Exchange Commission and Bangladesh Bank can play role in this regard. In Bangladesh, many multinationals and local companies are practicing corporate governance in Bangladesh and this should be projected properly.

The existing Companies Act is outdated and is neither progressive nor user-friendly. It is necessary to make things more relevant to match with today's needs. A positive approach towards ensuring transparency in accounting, auditing and reporting systems and amending the Companies Act are crucial factors to improve corporate governance. Bangladesh's corporate practices went backwards instead of moving forward to meet the needs of time as the disclosure requirements under the Companies Act 1994 were based on the British Companies Act 1948, where corporate culture was very conservative at that time. The existing rules and regulations are not enough to bring transparency in the accounting and auditing systems. In many cases these are outdated and not relevant to today's needs. There are many important items in the Bangladesh or International Accounting Standards which should be disclosed but there is no legal requirement to do so. The adopted International Accounting Standards must be made mandatory for the listed companies in Bangladesh.

Most of our neighboring countries have already introduced a Code of Corporate Governance for listed companies, banks and corporate entities, but we are still lagging behind in this respect. It is the high time for Bangladesh to formulate a national corporate governance code to bring in transparency and reduce corruption in corporate sector and the comprehensive code should cover private sector as well as state-owned enterprises and non-governmental organizations. There is a national consensus in Bangladesh that better governance is the key to improving the performance of public sector institutions. However, Bangladesh's public sector functions with limited transparency and weak accountability. As a result, this creates an environment in which corruption can flourish, and many public services are inefficient and insufficiently responsive to client needs. Governance improvements therefore need to be at the heart of Bangladesh's development strategy. The first is the initial step to separate the audit and accounting functions. Having the same people responsible for accounting and auditing is obviously a conflict of interest.

Improved corporate governance is critical to increasing investment and making it more productive. Domestically, it is essential to increase investor confidence as the private sector moves from family firms to more broadly owned companies that mobilize funds from the public. Better accounting and financial reporting and stronger auditing are also necessary to convince prospective foreign investors that there is a sound business environment in your country. To improve corporate governance, we need amendment of legislation to make Bangladesh accounting and auditing standards mandatory for all public limited companies and the establishment of Audit Committees in all listed companies having adequate shareholder participation; computerization of the operations and strengthening the office of the Registrar of Companies; the establishment of a National Accounting and Auditing Standards Board with representation from the users of accounts and regulators; the creation of a sub-professional accounting qualification; and the preparation of strategic plans to expand the output of professional accountants and auditors.

It is well-known that most of the listed companies in Bangladesh are owned by family members or closely held. In most cases, these family members become the chief executive officer (CEO) or managing director and chairman of the board. They sit in the board as well as they dispose off the executive functions as CEOs or executive directors. As a result, the independence of the board is lacking. As family members are afraid of losing control, they hardly allow directors from non-sponsor shareholders in the board. As these companies are closely held, the board meetings are restricted to paper work only and the policy decisions and executive functions are in the hands of sponsor-directors. It can be said that the sponsors have very little exposure to the today's modern management system and they are not inclined to depend on professionally qualified management.

In the companies of Bangladesh, the internal audit function is almost missing. Financial audit is a matter of getting the accounts signed by the auditors and the operating results published in the annual reports are the ones dictated by the sponsors. And disclosure requirements, such sponsors have the belief that it will make their companies vulnerable to their competitors and, to them; interest of the minority shareholders is limited to dividend, not management. The sponsor are mostly of the view that independent or external directors will not act prudently for no interest in the company, separation of management from ownership will make no room for the owner to participate in the decision-making process of the company and audit committee with non-sponsor director as its Chairman may create financial indiscipline when the sponsor director is the CEO.

Considering the scenario, it can easily be inferred that the corporate governance among the listed companies is at its lowest ebb. Weak corporate governance is considered to be single factor for poor performance of the Bangladesh capital market. In contrast to this, other regional countries like India, Sri Lanka and Pakistan have seen gradual improvements in performance of the listed companies and the capital market. In an emerging market if the corporate governance remains poor, compared to other weak macro fundamentals, the foreign direct investment (FDI) or portfolio investment is also bound to fall over the years and, perhaps, this is what has happened in case of Bangladesh. The adoption of corporate governance principles by Bangladesh will be a major step towards creating safeguards against corruption and mismanagement, promoting transparency in corporate life and attracting foreign investment.

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