



# JOURNAL OF BUSINESS STUDIES, PUST

## Faculty of Business Studies

### PABNA UNIVERSITY OF SCIENCE AND TECHNOLOGY

**Volume 1**

**Number 1**

**January 2018**

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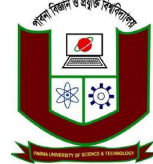
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Date: 01.01.2018



## Message

Vice Chancellor

**Pabna University of Science and Technology**

I am very glad to know that the first issue of the Journal of Business Studies of Pabna University of Science and Technology is going to be published. University is the best platform where new knowledge and ideas to be created for the benefits of the society and thus mankind. Research and its publication are the indispensable components in creating knowledge by the faculties and students of the universities. I strongly believe that the “Journal of Business Studies, PUST” will contribute a lot in shaping and updating related research and knowledge for the community concern in particular at PUST and for the globe in large. It’s a pressing need in recent days, the expansion and best practices of Business Studies in building-up of a modern society. My heartiest congratulation to the authors, members of the Editorial board and bright colleagues of Faculty of Business Studies at PUST for their highest support in publishing this new journal.

I wish brilliant success of the “Journal of Business Studies, PUST”.

**Professor Dr. Al-Nakib Chowdhury**

Vice Chancellor

Pabna University of Science and Technology

**EDITORIAL**

I am delighted with great pride and enthusiasm to celebrate the first ever launch of Journal of business studies, volume 1, number 1, January 2018, a new business disciplinary, peer-reviewed journal that is going to publish original research with a significant number of articles related to the issues of management, accounting, finance and marketing. I am honored to have been chosen as the editor-in-chief of the Journal of business studies, PUST under the faculty of business studies. An enormous amount of work has gone into the development of this journal and I believe you will see that effort reflected in this first ever edition and in the impact it will have on the business field. It has been an interesting journey for the family of business studies faculty. I would like to offer a word of thanks to the persons who are involved with it. This has been achieved only for the sincere and endeavor efforts of our faculties and utmost wants of the authority of PUST. The main focus of this journal will continue to publish regularly with highest quality research on the business area.

I do encourage the scholars, authors, faculties and researchers with proper aptitude and potentiality for doing research work in the business field and branches of knowledge to contribute to Journal of business studies regardless of the condition of affiliation with any particular institution. However, the works related to modern ideas and thoughts of business, critical appreciation and constructive analysis of any existing system of business and commerce or philosophy which can bring the positive change in business towards the betterment are especially appreciated.

*Editor-in-Chief*

**Dr. Md. Amirul Islam**

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Faculty of Business Studies

Pabna University of Science and Technology

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## **CALL FOR PAPERS, VOLUME 1, ISSUE 2, JUNE 30, 2018**

PUST Journal of Business Studies welcomes research articles from the university faculties on all aspects of business related fields. The manuscript is selected through a precise peer-review to ensure quality, originality, appropriateness, significance and readability. Authors are solicited to contribute to this journal by submitting articles that illustrate research results, projects, original surveys and case studies that describe significant advances in the fields of business studies. The formatting of all selected for publication must conform to the following guidelines:

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- Author(s) must be sent 3 hard copies of the article with hand signature of the authors at the cover page and 1 soft copy via e-mail (it must be word document).
- Hard copies must be sent to the Editor-in-Chief, PUST Journal of Business Studies, Faculty of Business Studies, Pabna University of Science and Technology, Pabna-6600, Bangladesh.
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### **Originality**

- The paper must be based on original research and must not be submitted in whole or in part elsewhere and should demonstrate the authors' own analysis. All articles will undergo the peer review process and the editorial board will handle all submissions according to generally accepted standard.
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- Submitted Article should include the name(s) and the affiliation(s) of the author(s)
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- Divide your article into clearly defined and numbered sections. Subsections should be numbered 1.1 (then 1.1.1, 1.1.2, etc. (the abstract is not included in section numbering).
- The article should be submitted in one column format.
- The article should be divided into background, Statement of the problem, literature review (if any), materials and methods, results and discussions, conclusion, acknowledgement (if any), references and appendices (if any).

**Introduction:** This section includes adequate background along with a statement of the problem, objectives and justification of the study avoiding a detailed literature survey or a summary of the results. Thereafter Conceptual Framework may be inserted if necessary.

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Booth-LaForce, C., & Kerns, K. A. (2009). Child-parent attachment relationships, peer relationships, and peer-group functioning. In K. H. Rubin, W. M. Bukowski, & B. Laursen (Eds.), *Handbook of peer interactions, relationships, and groups* (pp. 490-507). New York, NY: Guilford Press.

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- Two articles may be published by an author in an issue (One as single author and another as co-author).
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## MANDATORY DISCLOSURE COMPLIANCE BY LISTED COMPANIES IN BANGLADESH

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**Abstract.** The aim of this study is to examine the mandatory disclosure compliance level among non-financial listed companies in Bangladesh. The study uses panel-data of the selected thirty companies for 5-year period and the test of multiple regressions was run. The findings report that the level of compliance with mandatory disclosure by the public listed companies in Bangladesh is relatively low. The results of regression indicate that number of outside shareholders, listing age, market category, return on assets and leverage have significant and positive impact on mandatory disclosure. The main value of this paper is to provide further evidence of determinants of disclosure under relative unweighted disclosure index using 5-year data of 30 sample companies. The outcome of this paper is expected to assist local and foreign investors in making more informative decisions and to assist regulatory bodies in formulating policies towards improving the compliance level.

**Keywords:** Mandatory Reporting; Relative Unweighted Disclosure Index; Panel-data; Firm's Characteristics

### 1. Introduction

Prior research (Ahmed & Nicholls, 1994; Wallace & Naser, 1995; Owusu-Ansah, 1998; Ali et al., 2004; Akhtaruddin, 2005a) identifies mandatory disclosure in corporate annual reports as one of the fundamental elements for reducing information asymmetry between insiders and outsiders. Generally, disclosure of corporate information is supported by various theories, namely, stakeholder theory, agency theory, legitimacy theory, political economic theory and capital market development theory (Choi, 1973). Bamber and McMeeking (2010) found that firms have voluntarily published information in excess of mandatory requirements due to a legitimization strategy.

These theories provided reasons for corporate disclosure, which is important for gaining investors' confidence, developing of efficient markets, creating a good corporate governance system, protecting minority interest, making an investment friendly environment, harmonizing practice of international standards to cope the national market and economy with the challenges of globalization and for protection of investors. Gul and Leung (2004) urge that disclosure is an obvious requirement for an equity market to function more effectively. More importantly, disclosure ensures transparency, accountability, fairness and responsibility of corporation to stakeholders. Realizing the facts, the different regulatory bodies of a country always put pressure on the listed companies to disclose adequate information in their annual reports.

Research on mandatory disclosure in Bangladesh reports the poor level of mandatory disclosure by the listed companies (Akter & Hoque, 1993; Ahmed & Nicholls, 1994; Karim, 1995; Ahmed, 1996; Akhtaruddin, 2005a). It is argued that non compliance of mandatory requirements and accounting standards yields poor level of disclosure (Alam, 2007; Hasan et al., 2008). While, Akhtaruddin (2005a) suggests that lack of an effective enforcement policy for noncompliance contributed to the low levels of compliance with mandatory disclosure among listed companies in Bangladesh. Over the last decade, attempts were made by the regulatory authorities in Bangladesh to improve the quality of financial reporting in the country. Such measures have included the amendments of the Companies Act, 1994, adoption of Financial Reporting Standards started from 2007, the issuance of Corporate Governance Guidelines, 2006 as well as major revisions to Securities and Exchange Rules, 1987 in 1997. Twenty Bangladesh Accounting Standards (BASs) and eight Bangladesh Financial Reporting Standards (BFRSs) have been made effective from 2007. The present research interest has been set forth to examine the extent of disclosure as it is changing towards the improvement over the periods with the changes of disclosure environment. This study, therefore, specifically investigates the results of an empirical examination of the factors that could possibly influence the level of compliance with mandatory disclosure following the significant changes in the regulatory frameworks. The outcome of the results is expected to assist local and foreign investors in making more informative decisions.

The rest of the paper is organized as follows: Section 2 presents corporate reporting environment in Bangladesh. Section 3 discusses explanatory variables and hypothesis development of this study. The research method is outlined in section 4. Section 5 reports results and finally, the conclusions are provided in section 6.

## **2. Disclosure Framework of Bangladesh**

Disclosure environment of Bangladesh is embodied by Companies Act, 1994; Banking Company Act, 1991; Insurance Act, 1938; Securities and Exchange Rules, 1987; SEC Corporate Governance Guidelines, 2006; Listing Rules of Dhaka Stock Exchange, 1996; Income Tax Act, 1922 and Income Tax Ordinance, 1984. The Companies Act,

1994 is mandatory for all companies except Bank and Insurance Company. In addition to this, listed companies should comply with the provisions of other regulations such as SEC Rules, 1987, SEC Guidelines, 2006, Listing Rules, 1996 and the standards adopted by ICAB. The ICAB, only the professional body in Bangladesh is custodian for the adoption and issuance of International Accounting Standards (IASs)/ International Financial Reporting Standard (IFRSs) and International Standards on Auditing (ISAs) as Bangladesh Accounting Standards (BASs), Bangladesh Financial Reporting Standards (BFRSs) and Bangladesh Standards on Auditing (BSAs). The ICAB has so far adopted 28 IASs as BASs and 8 IFRSs as BFRSs. Also 35 ISAs have been adopted by ICAB as BSAs and 4 International Auditing Practice Statements (IAPs) as Bangladesh Auditing Practice Statements (BAPSs) to strengthen the financial disclosure in annual reports and auditing practices. The compliance of accounting standards was not mandatory before the amendment of the SEC Rules, 1987 in 1997. Mandatory Financial disclosure includes the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, the notes to the accounts, the board of directors' report, and the external auditor's report. In preparing their financial statements, companies are required to comply with Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs). With respect to non financial measures, some of which are regulated, such as equity shareholdings, board composition, audit committee composition, board remuneration.

The Registrar of Companies monitors compliance with statutes and regulations applicable to companies, the Securities and Exchange Commission monitors compliance with the provisions of the Securities Rules of 1987 and SEC Guidelines 2006. Also, the ICAB ensures compliance with BASs, BFRSs through its members to develop, enhance and coordinate the accountancy profession in Bangladesh. The two stock exchanges namely Dhaka Stock Exchange and Chittagong Stock Exchange monitor and enforce their listing rules through Market Surveillance Team of Compliance Department. The DSE listing requirements amendment in 2010 requires to make available the interim (before the expiry of 1 month from the half year period) and annual financial statements (before the expiry of 3 month from the end of year) in the website that is linked to the DSE website.

### **3. Literature Review and Hypothesis Development**

Most of the prior studies of this area suggest that there is a strong positive association between firm specific characteristics and the extent of disclosure. Lambertides and Mazouz (2013) state that changes in the information environment influence the firm-specific characteristics. In this study sixteen variables i.e., total assets, net annual sales, market capitalization value, debt-equity ratio, net profit margin, return on assets, M/B ratio, P/E ratio, Tobin's Q ratio, return on equity, ownership structure, listing age, market category, number of outside shareholders, size of audit firm and quick ratio have

been selected from the previous research (Ahmed & Nicholls, 1994; Wallace & Naser, 1995; Owusu-Ansah, 1998; Naser et al., 2002; Akhtaruddin 2005a, 2005b; Sejjaaka, 2003; Karim & Ahmed, 2005; Lopes & Rodrigues, 2007; Alam, 2007; Hasan et al., 2008; Hossain, 2008) to explain the relationship between firm characteristics and the level of disclosure. The explanatory variables are categorized into three main groups to carry out the test and to make regression model. The three categories of variables are capital structure related; performance related and market related variables. Variables under each category are explained to develop hypotheses and to fit regression model.

#### ***Capital Structure related variables***

Firm size, a fundamental determinant of disclosure is well grounded in agency theory and political economic theory. The size of the reporting firm as proxies by asset size, net annual sales and market capitalization may have either a positive or a negative impact on the variability of disclosure. There are several reasons for expecting a mixed relationship between the firm size and the extent of disclosure. The firms are reluctant to disclose more for the evasion of higher corporate taxes, the threat of nationalization, for reducing the pressure of exercising of social responsibility and for the threat of competition. On the other hand, the firms want to disclose more because they want to have increased external funds from stock markets, to reduce agency costs and information asymmetries. Many researchers (Ahmed and Nicholls, 1994; Akhtaruddin, 2005a; Alam, 2007; Karim and Ahmed, 2005; Wallace and Naser, 1995, Akhtaruddin and Haron, 2012 and Bokpin, 2013) have found that there is a significant positive relationship between the firm size and the extent of disclosure. We therefore hypothesize in consistence with agency theory that:

*H<sub>A-1</sub>* Firms with large asset size disclose more financial information than the firms with small asset size.

*H<sub>A-2</sub>* Firms with high net annual sales disclose more financial information than the firms with small net annual sales.

*H<sub>A-3</sub>* Firms with large market capitalization disclose more financial information than the firms with small market capitalization.

Leverage has been identified as determinant of disclosure and used in different manners such as debt-equity ratio, capital gearing ratio and debt to total assets, has shown mixed results. There is a fundamental link between accounting information and the cost of capital. A higher disclosure level is expected to reduce the cost of equity capital (Hussainey and Mouselli, 2010). Ahmed and Nicholls (1994), and Wallace and Naser (1995), Raffournier (1995), Inchausti (1997), Sejjaaka (2003) and, Akhtaruddin and Haron (2012) have not found any association between the disclosure level and the leverage of the firm while Belkaoui and Kahl (1978) has observed a significant negative relationship between the two variables. On the other hand, Naser et al. (2002), Karim and Ahmed (2005) and Bokpin (2013) have noticed a positive association between the disclosure level and the leverage of the firm. It is argued that the more regulated firm

can raise more fund with low cost and can reduce information asymmetry as managers are bound to provide more information under the pressure of debt holders. Now, we can further hypothesize as:

*H<sub>A-4</sub>* Firms with high debt-equity ratio are expecting to disclose more financial information than the firms with low debt-equity ratio.

#### ***Performance related variables***

Profitability is the pivotal element of disclosure. More profitable firms can afford the cost of preparation and communication of accounting information and are able to disclose more information. Consistent with signaling theory managers disclose more information of better performance as it is the good news for the firm. The profitability i.e., performance related seven variables have been used in this research from the motivation of the research works of Singhvi and Desai (1971), Wallace and Naser (1995), Inchausti (1997), Naser et al. (2002), Sejjaaka (2003), Karim and Ahmed (2005), Akhtaruddin (2005a), and Alam (2007) in consistence with signaling theory. The empirical results from these researches are mixed. Naser et al. (2002) and Karim and Ahmed (2005) have found positive while Wallace and Naser (1995) has got negative association between profitability and the level of disclosure. On the other hand, Sejjaaka (2003) and Alam (2007) have not found any association between two variables. Moreover, the finding of Akhtaruddin (2005a) has revealed a low association between corporate disclosure and profitability. The opinions of the proponents of these variables are that managers of high profit earning companies tend to disclose more in order to assure stakeholders and to strengthen their management position and to claim increased compensation (Singhvi and Desai, 1971). Likewise the high profitable firm discloses more information to give better performance of the business (Inchausti, 1997). The counter opinion is that low profitable or unprofitable companies disclose more information in their annual reports to defend their weak or unsatisfactory performance (Owusu-Ansah, 1998 quoted in Naser et al., 2002). The selected variables and the hypotheses framed are now discussed.

It is a measure of percentage of sales revenue on profit. The higher the firm's profit margin indicates better performance and the better performing firms disclose more financial information in their annual reports. Consistent with theory and empirics we can hypothesize as:

*H<sub>A-5</sub>* Firms with high profit margin may disclose more financial information than the firms with low profit margin.

It measures the profit earned on the common stockholders' investment in the firm. The higher the firm's return on equity indicates better performance that leads to disclose more financial information in their annual reports. Naser (1998) and Wallace et al. (1994) did not find any significant association between the extent of disclosure and return on equity. In consistence with the proponents of this variable, we can also hypothesize that:

*H<sub>A-6</sub>* Firms with higher return on equity may disclose more financial information than the firms with lower return on equity.

The original Tobin's Q ratio devised by James Tobin (1969) shows relationship between the market value of a company with the replacement value of the firm's assets. The modified Tobin's Q ratio has been used in this study in line with prior study of Nor et al. (1999), Sanda et al. (2005), Lee et al. (2005) and Das and Sufian (2012) as the replacement cost information is not available in annual reports of sample companies. A Tobin's  $Q > 1$  indicates the greater market value of common equity than the value of the company's recorded assets and it encourages investors to invest more in capital because they are worth more than the price they paid for them. A Tobin's Q greater than one is the good news for investors and also increases the capital market efficiency of firm. So, it can be claimed and hypothesized in consistence with signaling theory that:

*H<sub>A-7</sub>* Firms with high Tobin's Q ratio disclose more financial information than the firms with low Tobin's Q.

Return on total Assets (ROA) ratio measures the overall effectiveness of the management in generating profits with its available assets. It enables investors to evaluate the firm's net earnings with respect to a given level of assets. Owners, creditors, and management pay close attention to boosting profits because of the great importance placed on earnings in the market place. Inchausti (1997) and Bokpin (2013) find a significant positive association between return on total assets and the extent of disclosure while Hossain et al. (2006) finds no association between return on total assets and the extent of disclosure of Bangladeshi companies. So, it needs further investigation. From the above discussion it is clear that the performance related variable ROA can change the extent of disclosure and can be hypothesized as:

*H<sub>A-8</sub>* Firms with high ROA may disclose more financial information than the firms with low ROA.

The market/book (M/B) ratio provides an assessment of how investors view the firm's performance. It indicates what amount the investors are willing to pay more than its book value for the firm's common share. It also measures the value of firm (Hassan et al. 2009; Bokpin, 2013). A firm with high M/B ratio sells its stock at high price in the market place than its book value of common stock because of better investors' perception on firms' performance. Now, it is expected that a firm with high M/B ratio disclose more information in its annual report and can be hypothesized as:

*H<sub>A-9</sub>* Firms with high M/B ratio may disclose more financial information than the firms with low M/B ratio.

A ratio of market price per share and earnings per share measures the amount that investors are willing to pay for one taka of a firm's earnings. The level of the Price/Earnings ratio indicates the degree of confidence of investors in the firm's future performance. The higher the P/E ratio, the greater is investors' confidence. To protect the investors' confidence and management's position a firm with high P/E ratio dis-

closes more information in its annual report. So, we can hypothesize that:

*H<sub>A-10</sub>* Firms with high P/E ratio disclose more financial information than the firms with low P/E ratio.

In this study quick ratio has been used as predictor of disclosure because it is considered a more stringent measure of corporate liquidity. It is a critical factor for stakeholders to evaluate asset management policy of firms because the inability of the firm is a weak signal of financial position in one hand. On the other hand, the firms with high liquidity may mean the block of capital in idle way. However, the serious shortage of liquid money may treat the firm's insolvency and may ruin the relationship between creditors and firms. This is also the threat of going concern assumption. Sejjaaka (2003) has not found any link between liquidity and the level of disclosure. But Wallace and Naser (1995) and Naser et al. (2002) have found a positive association between two. In line with the prior researchers we can say that quick ratio has a positive impact on disclosure and we can hypothesize that:

*H<sub>A-11</sub>* Firms with high quick ratio may disclose more financial information than the firms with low quick ratio.

#### ***Market related variables***

The market-related variables incorporated into our analysis are ownership structure, listing age, market category, number of outside shareholders, and size of audit firm. Foreign ownership structure is a structure where there is a participation of foreign shareholder. The foreign shareholders put pressure on the corporate board to disclose more information in the annual reports as they are mostly dependent on information incorporated in annual reports. Few studies have adopted this variable to see the variation of disclosure and revealed mixed result i.e. the study of Naser et al. (2002) and Sufian and Zahan (2013) has reported an insignificant relationship between the level of disclosure and ownership structure while the studies of Owusu-Ansah (1998) & Wallace and Naser (1995) have found a positive association between the level of disclosure and ownership structure. In line with political economic theory managers disclose more information due to the demand of dispersed shareholders and a hypothesis can be drawn as:

*H<sub>A-12</sub>* Firms with foreign ownership tend to disclose more financial information.

Karim and Ahmed (2005), Alam (2007) and Ahmed and Miya (2007) have explained this variable to see the level of disclosure. They have found a significant association between the level of disclosure and category of market. Companies listed on stock exchanges are categorized into five such as A, B, G, N and Z. This category is done by DSE and CSE based on some criteria like regularity of holding AGMs, payment of dividend and fees, positive profits, market capital, positive EPS, and volume of daily transactions etc. It is evident that market category is a replica of firm's performance and influences disclosure. Now we are in a position to hypothesize in consistence with signaling theory that:

*H<sub>A-13</sub>* Market category of firms affects positively the extent of disclosure.

Company age is an important factor for affecting the level of disclosure. The study of Owusu-Ansah (1998) and Alam (2007) revealed a positive association between the level of disclosure and company age while Akhtaruddin (2005a) got counter result. In this study the year of listing with stock exchange has been treated as company age. Generally it is expected that an earlier listed firm has a good reputation and it will disclose more than a later listed firm in line with normative isomorphism process of institutional theory. Now, we can hypothesize as:

*H<sub>A-14</sub>* There is a significant positive impact of disclosure on the years of listing with stock exchange.

There is no standard and legal criterion for determining the audit firm size. In this study, the size of audit firm represents the number of chartered accountants engaged in a firm. The audit firm consisting more than four chartered accountants is considered as large audit firm and the firm having four and less chartered accountants is considered as small audit firm. The large audit firm has a good national and global reputation and they have many alternatives to choose the clients and audit jobs. So, they give more emphasis on quality audit and can put pressure on their clients to disclose adequate and correct information in their annual reports. Firms disclose more information in consistency with the mimetic pressure of institutional theory. Naser et al. (2002), Karim and Ahmed (2005) and Bokpin (2013) have found significant association with disclosure level. With consistent of theory and empirics, we can hypothesize that:

*H<sub>A-15</sub>* Firms audited by large audit firm tend to disclose more financial information.

Shareholders are the central elements of disclosure. They have direct interest in the company. As a principal they can change management (agent) if they see any wrong doing of them. Singhvi (1967) found that disclosure quality was significantly associated with number of shareholders. So, it is expected in line with prior researcher that the number of outside shareholders can pressurize management to disclose more information. With consistent of coercive process of institutional theory, it can be hypothesized that:

*H<sub>A-16</sub>* There is a significant positive impact of disclosure on the number of outside shareholders.

## **4. Methodology of the Study**

### **4.1. Sample Selection**

A total number of 113 non financial companies were listed with Dhaka Stock Exchange at the end of December, 2010. The reporting date of all 113 companies was not the same such as the reporting date of 47 companies ends at December 31, 55 companies at June 30, 4 companies at March 31, 1 company at August 31, 5 companies at

September 30 and 1 company at October 31. From the sample frame of 47 companies whose reporting date ends at 31 December, 30 companies have been considered as sample for the 5-year study period starting from 2006 to 2010. Table 1 presents the sector wise distribution of the sample companies.

Table 1. Distribution of Samples Companies

| No. | Name of the Sectors         | Population |         | Sample |         |
|-----|-----------------------------|------------|---------|--------|---------|
|     |                             | Number     | Percent | Number | Percent |
| 1.  | Cement                      | 5          | 10.64   | 4      | 13.33   |
| 2.  | Ceramic Sector              | 2          | 4.26    | 0      | 0.00    |
| 3.  | Engineering                 | 9          | 19.15   | 6      | 20.00   |
| 4.  | Food and Allied             | 3          | 6.38    | 2      | 6.67    |
| 5.  | Fuel and Power              | 4          | 8.51    | 2      | 6.67    |
| 7.  | Miscellaneous               | 4          | 8.51    | 4      | 13.33   |
| 9.  | Pharmaceuticals & Chemicals | 10         | 21.28   | 7      | 23.33   |
| 10. | Tannery Industries          | 3          | 6.38    | 2      | 6.67    |
| 11. | Telecommunication           | 1          | 2.13    | 0      | 0.00    |
| 12. | Textile                     | 6          | 12.77   | 3      | 10.00   |
|     | Total                       | 47         | 100.00  | 30     | 100.00  |

#### **4.2. Construction of the Disclosure Index**

The present study is mainly based on data collected from secondary sources. The annual reports audited by the professional auditors have been selected for constructing a mandatory disclosure index. Before preparing a disclosure index, the different laws enacted in Bangladesh and some BASs adopted and approved by ICAB have been critically examined. A disclosure index of 204 items has been constructed based on the statutory requirements set by regulatory bodies. The distribution of the index items with percentage into different parts of the annual report is shown in Table 2.

Table 2. Distribution of the Index Items

| No. | Name of the Major Parts of Annual Report | Total Items | Percent |
|-----|--|-------------|---------|
| 1.  | General Information                      | 19          | 9.31    |
| 2.  | Corporate Governance                     | 30          | 14.71   |
| 3.  | Balance Sheet                            | 43          | 21.08   |
| 4.  | Income Statement                         | 53          | 25.98   |
| 5.  | Cash Flow                                | 08          | 3.92    |
| 6.  | Changes in Equity                        | 07          | 3.43    |
| 7.  | Accounting Policies and Notes            | 44          | 21.57   |
|     | Total                                    | 204         | 100.00  |

#### **4.3. Scoring the Items of Disclosure Index**

Prior research uses two approaches- unweighted and weighted. Unweighted approach is based on assumption that each item of the disclosure is equally important while in weighted approach different items of information are given different weight. Cerf (1961) and Singhvi (1967) and Hasan et al. (2008) have used weighted approach to construct the disclosure index. This approach has been criticized on the ground that it is a subjective approach i.e., respondents may give weight on the same items of information differently. Considering these fact, many prior studies such as Cook (1989), Ah-

med and Nicholls (1994), Akhtaruddin (2005a), Alam (2007), Karim and Ahmed (2005), Wallace and Naser (1995), Owusu-Ansah (1998) supported the employment of unweighted approach. But Akhtaruddin (2005a) stated that unweighted approach has also some limitations such as researchers give zero score for non-applicable items and selection of non-applicable items are subjective that leads to bias. Realizing these facts, relative unweighted approach has been considered in consistence with Sejjaaka (2003). Under this approach, a relative mandatory disclosure index (RMDI) for each company is constructed by using a dichotomous procedure where a relevant item scores one if it is disclosed and zero if it is not disclosed. For sub items, a proportionate score has been assigned by dividing one with the number of sub items. Then, non-applicable items have been selected and given N/A. Total number of non-applicable items has been deducted from total selected items to have the total number of items applicable to disclose. In this way, we can add up all the items disclosed by the company to have the total relative disclosure score. The following formula is used for construction of RMDI:

$$RMDI = \frac{\text{Total Number of Items Disclosed in Annual Report}}{\text{Total Numbers of Items Applicable to Disclose in Annual Report}}$$

Symbolically,  $RMDI = \frac{\sum_{i=1}^{dm} dm_i}{\sum_{i=1}^{dn} dn_i}$

Where d = 1 if a disclose able item is disclosed, 0 if that item is not disclosed

m = number of items disclosed

n = maximum number of disclose able items

#### **4.4. Test of Hypotheses**

To assess the degree of mandatory disclosures made by listed companies of Bangladesh, the sophisticated statistical measures such as correlation and multivariate tests have been used. The Statistical Package for the Social Sciences (SPSS) has been run to analyze the collected data.

$$RMDI = \alpha + \beta_1 TA + \beta_2 NAS + \beta_3 MCV + \beta_4 DER + \beta_5 NPM + \beta_6 ROE + \beta_7 ROA + \beta_8 MBR + \beta_9 PER + \beta_{10} TOBINQ + \beta_{11} QR + \beta_{12} DFO + \beta_{13} AGE + \beta_{14} DSA + \beta_{15} NS + \beta_{16} DMC + \varepsilon$$

Where

RMDI= Total relative mandatory disclosure score received from each company

$\alpha$  = The constant

TA = Total assets

NAS= Net annual sales

MCV=Market capitalization value measured by the product of market price per share and the weighted average number of common stock outstanding plus book value of

total debt.

DER=Debt-Equity ratio measured by the book value of debt divided by common stockholders' equity.

NPM=Net profit margin measured by the net profit divided by net sales

ROE=Return on equity measured by the net profit divided by common stockholders' equity.

ROA= Return on total assets measured by earnings available for common stockholders divided by the book value of total assets

MBR=Market/Book ratio measured by the market price per share of common stock divided by the book value per share of common stock.

PER= Price/Earnings ratio measured by the market price per share of common stock divided by the earnings per share of common stock.

TOBINQ= Tobin's Q ratio measured by the year end market capitalization divided by the book value of total assets

QR= Quick ratio measured by the quick assets divided by total current liabilities less bank over draft

DFO=Dummy of foreign ownership, 1 if firm has foreign owner in its capital structure, 0 otherwise.

AGE= Listing age

DSA=Dummy of size of audit firm, 1 if the audit firm has more than 4 auditors, 0 otherwise.

NS= Number of outside shareholders

DMC= Dummy of market category, 1 if the firm falls under 'A' category, 0 otherwise.

$\varepsilon$  = The error term

## **5. Results and Discussion**

### ***5.1. Descriptive Statistics***

Table 3 presents descriptive statistics for all variables used in this study. The table indicates that the mean level of disclosure (RMDS) reported in the annual reports of listed companies is 59.28 percent with a range of 45.34% to 71.85%. It is seen that 25% companies disclose on average 55.16 percent items and 75% companies are practicing 63.61 percent items of disclosure. So, Bangladeshi companies do not confirm 100% disclosure practice in their annual reports. This findings is somewhat improved and better than the findings (43.53%) of Akhtaruddin (2005a) and the findings (37.60) of Alam (2007).

The statistics on return on assets (ROA) indicate that a small number of firms shows negative return on assets with maximum return 47.92% and mean return 7.4%. Similarly, the return on equity (ROE) on an average is 23.78%. The debt equity (DER) ratio shows that on average the debt to equity ratio is 2.56%, meaning that long-term debt is a small portion of the capital structure of the sample firms. The average firm size in terms of total assets (TA) is Taka 3443.20 million. The range of the total value of assets indicates that the firms are widely distributed. The average age (AGE) of the firms is 18 years. The quick ratio (QR) with a mean of .90 indicates that the firms on average were financially sound for the period under study. With regard to foreign ownership (DFO), it can be seen that on average 29% of the outstanding shares are owned by foreigners. Again, on average 48% of the sample firms are being audited by large audit firms (DSA).

Table 3. Descriptive Statistics

|   | Minimum   | Maximum  | Mean    | Std. Deviation | 25th Percentile | 75th Percentile |
|---|-----------|----------|---------|----------------|-----------------|-----------------|
| Total Disclosure Score                        | 45.34     | 71.58    | 59.2837 | 5.73489        | 55.16           | 63.61           |
| Total Assets Size (Figure in '000')           | 104752.00 | 24768786 | 3443200 | 4809920        | 646897.5        | 3250000         |
| Net Annual Sales (Figure in '000')            | 2015.00   | 20946040 | 2554500 | 3370250        | 396112.3        | 3740000         |
| Market capitalization value (Figure in '000') | 3548.80   | 96603864 | 7844200 | 13043700       | 908663.5        | 8410000         |
| Debt-Equity Ratio                             | -6.71     | 36.13    | 2.5585  | 4.90052        | 0.63            | 3.2375          |
| Net Profit Margin                             | -2368.34  | 87.50    | -9.1221 | 198.68006      | 2.735           | 13.51           |
| Return on Equity                              | -.52      | 4.61     | .2378   | .52594         | 0.06            | 0.295           |
| Return on total assets                        | -12.79    | 47.92    | 7.3958  | 8.24263        | 2.4575          | 11.52           |
| Market/Book Ratio                             | -1.55     | 514.80   | 12.5329 | 53.19625       | 1.505           | 6.39            |
| Price/Earnings Ratio                          | -32.88    | 177.44   | 30.7826 | 37.10536       | 10.195          | 37.285          |
| Tobin's Q Ratio                               | .22       | 34.76    | 2.3637  | 3.03737        | 1.205           | 2.61            |
| Quick Ratio                                   | .04       | 8.79     | .9019   | .96821         | 0.42            | 1.05            |
| Dummy for Foreign Ownership                   | 0         | 1        | .29     | .457           | 0               | 1               |
| Listing Age                                   | 0         | 34       | 18.03   | 8.779          | 11              | 24              |
| Dummy for Size of Audit Firm                  | 0         | 1        | .48     | .501           | 0               | 1               |
| No. of outside Shareholders                   | 378       | 97540    | 9816.77 | 15699.292      | 1912            | 9674.75         |
| Dummy for Market Category                     | 0         | 1        | .81     | .391           | 1               | 1               |

## 5.2. Multicollinearity Test

The existence of multicollinearity hinders to detect the effect of independent variable on dependent variable. So, it is necessary to identify the multicollinearity problem before running multiple regression. The basic method of multicollinearity detection is a visual inspection of correlation matrix for a set of independent variables (Naser et al.,

2002). It can be seen from the Table 4 that there is a high degree of collinearity between variable TA and MCV, and between TA and NAS. But, this is not an appropriate method. A widely used method to detect for and measure multicollinearity is the Variance Inflation Factor (VIF) for each independent variable. A multicollinearity problem exists where the VIF is above 10 (Silver, 1997). It is observed from the Table 5 that a multicollinearity problem has existence in two variables, namely total assets with the VIF of 16.045 and the market capitalization value with the VIF of 15.410 which clearly prove that the VIF is greater than 10. Ordinary Least Square Multiple Regression analysis has been run after excluding these two variables from the analysis.

Table 4. Correlation Matrix for Panel Data

| Variables | TA     | NAS    | MCV    | DER     | NPM    | ROE    | ROA    | MBR    |
|-----------|--------|--------|--------|---------|--------|--------|--------|--------|
| TA        | 1      |        |        |         |        |        |        |        |
| NAS       | .629** | 1      |        |         |        |        |        |        |
| MCV       | .731** | .524** | 1      |         |        |        |        |        |
| DER       | -.042  | .095   | -.014  | 1       |        |        |        |        |
| NPM       | .022   | .079   | .034   | -.021   | 1      |        |        |        |
| ROE       | .087   | .454** | .227** | .422**  | .141   | 1      |        |        |
| ROA       | .102   | .419** | .324** | -.064   | .257** | .459** | 1      |        |
| MBR       | -.004  | .000   | .032   | .037    | .014   | .133   | -.030  | 1      |
| PER       | -.155  | -.140  | .048   | .022    | .095   | -.077  | -.132  | .330** |
| TOBINQ    | .016   | .108   | .622** | -.025   | .045   | .218** | .424** | .064   |
| QR        | .170*  | -.028  | .324** | -.187*  | .119   | -.007  | .205*  | .003   |
| DFO       | .147   | -.024  | .020   | -.087   | .082   | -.101  | .018   | -.112  |
| AGE       | -.008  | .263** | .030   | -.173*  | .120   | .099   | .286** | -.030  |
| DSA       | .142   | -.104  | .042   | -.020   | .068   | .013   | .142   | .156   |
| NS        | .716** | .324** | .453** | -.154   | .078   | -.042  | .120   | .044   |
| DMC       | -.006  | .212** | .035   | -.215** | .230** | .166*  | .472** | .085   |
| Variables | PER    | TOBINQ | QR     | DFO     | AGE    | DSA    | NS     | DMC    |
| PER       | 1      |        |        |         |        |        |        |        |
| TOBINQ    | .260** | 1      |        |         |        |        |        |        |
| QR        | .057   | .202*  | 1      |         |        |        |        |        |
| DFO       | -.067  | -.087  | -.007  | 1       |        |        |        |        |
| AGE       | .002   | .141   | .085   | .120    | 1      |        |        |        |
| DSA       | -.052  | .017   | -.023  | .143    | -.016  | 1      |        |        |
| NS        | -.023  | -.015  | .336** | .271**  | .021   | .081   | 1      |        |
| DMC       | -.039  | .151   | .224** | .158    | .311** | .186*  | .192*  | 1      |

Table 5 Result of Multiple Regression Including Multicollinearity Diagnostics

| Independent Variables   | Dependent Variable: RMDS |              |            |                 |           |
|-------------------------|--------------------------|--------------|------------|-----------------|-----------|
|                         | Coefficients             | t-statistics | Sig. level | Variance Factor | Inflation |
| (Constant)              | 51.680                   | 32.919       | .000       |                 |           |
| TA                      | 4.397E-7                 | 1.262        | .209       | 16.045          |           |
| NAS                     | -4.263E-7                | -1.676       | .096       | 4.203           |           |
| MCV                     | -8.319E-8                | -.661        | .510       | 15.410          |           |
| DER                     | .286                     | 2.748        | .007       | 1.487           |           |
| NPM                     | .001                     | .529         | .597       | 1.146           |           |
| ROE                     | -.975                    | -.851        | .396       | 2.073           |           |
| ROA                     | .209                     | 2.621        | .010       | 2.472           |           |
| MBR                     | .003                     | .339         | .735       | 1.261           |           |
| PER                     | .013                     | .929         | .354       | 1.437           |           |
| TOBINQ                  | .127                     | .358         | .721       | 6.670           |           |
| QR                      | .194                     | .349         | .728       | 1.660           |           |
| DFO                     | -.950                    | -.937        | .351       | 1.227           |           |
| AGE                     | .159                     | 2.870        | .005       | 1.347           |           |
| DSA                     | -2.403                   | -2.333       | .021       | 1.524           |           |
| NS                      | 3.482E-5                 | .709         | .479       | 3.394           |           |
| DMC                     | 3.842                    | 2.697        | .008       | 1.773           |           |
| F-value                 | 3.439                    |              |            |                 |           |
| P-value of F-test       | .000                     |              |            |                 |           |
| Adjusted R <sup>2</sup> | .208                     |              |            |                 |           |
| R <sup>2</sup>          | .293                     |              |            |                 |           |

### 5.3. Multivariate Test

The results of the multiple regression analysis of panel data to show the association between the company characteristics and the extent of mandatory disclosure in annual reports of sample companies are documented in Table 6.

The R<sup>2</sup> of the regression model is 0.282, which reveals that the model is capable of explaining 28.2% variability in disclosing information in the annual reports of the selected companies. This R<sup>2</sup> is consistent with prior study of Alam, 2007 (0.259); Hos-sain et al., 2006 (0.314); Karim and Ahmed, 2005(0.364) while a slight higher R<sup>2</sup> is observed in the study of Akhtaruddin, 2005a (0.577); Ahmed and Nicholls, 1994 (0.531); and Naser et al., 2002 (0.56). The F statistic of the model explains the variation in mandatory disclosure in annual reports is significant at 0.01 level.

The multiple regression analysis reveals that there is a significant positive association between the level of mandatory disclosure and leverage. This means that more debt holders in the capital structure can create a pressure on the management to comply with disclosure. It reduces information asymmetry and confirms the agency theory. This result is consistent with Karim and Ahmed (2005) and Naser et al. (2002). From this analysis it is also seen that there is a significant positive association between return on total assets (ROA) and the extent of mandatory disclosure at 0.05 percent level. Thus, signaling theory is upheld by this study. This means that the benefits of mandatory disclosure were positive. This result is supported by an earlier study by Inchausti (1997).

However, the association between mandatory disclosure and firm size in terms of net annual sales (NAS) is insignificant which is not unexpected. Because the main two other measures of firm size were dropped from the analysis on the ground of multicollinearity problem. The finding is consistent with Tower et al. (1999), Street and Bryant (2000), and Glaum and Street (2003).

As expected, the number outside shareholders is positive and significant determinant of disclosure and the result supports the political economic theory. Likewise, the association between market category and the extent of mandatory disclosure is positive and significant. The result suggests that managers of best performer firms in general try to be in compliance with the regulations in order to maintain their image in the market in consistence with signaling theory. Similar result is found in the findings of Alam (2007), and Karim and Ahmed (2005). The analysis also supports our hypothesis that the level of mandatory disclosure of a firm is influenced by its age. The result of the positive effect of firm age on mandatory disclosure is significant at the 0.10 level. This indicates that firms disclose more information in consistence with the mimetic pressure of institutional theory. The same result is found by Alam (2007), and Akhtaruddin (2005b). The positive association between firm age and mandatory disclosure is consistent with results of similar studies conducted on some developing economies such as in Zimbabwe (Owusu-Ansah, 1998); and in Uganda (Sejjaaka, 2003). The results do not show any significant influence of foreign ownership (DFO) on disclosure.

Regarding performance related variables, except return on assets (ROA) all other measures such as the net profit margin (NPM), return on equity (ROE), market to book ratio (MBR), price earnings ratio (PER), Tobin's Q ratio (TOBINQ), quick ratio (QR) do not prove to be the determinants of mandatory disclosure. Previous studies find mixed results for these factors. In spite of what is expected, our data do not show evidence on the influence of audit firm size (DSA) on mandatory disclosure. In summary, the results of the regression analyses reveal that five (35.71% cases) out of fourteen variables used in this study are in conformity with our expectation. An important aspect of this model is that it cannot explain 71.8% independent variables.

Table 6 Multiple Regression Result of Panel Data

| Independent Variables   | Dependent Variable: RMDS |              |            |                 |           |
|-------------------------|--------------------------|--------------|------------|-----------------|-----------|
|                         | Coefficients             | t-statistics | Sig. level | Variance Factor | Inflation |
| (Constant)              | 52.541                   | 36.682       | .000       |                 |           |
| NAS                     | -1.882E-7                | -1.100       | .273       | 1.900           |           |
| DER                     | .274                     | 2.640        | .009**     | 1.477           |           |
| NPM                     | .001                     | .614         | .540       | 1.142           |           |
| ROE                     | -1.190                   | -1.049       | .296       | 2.036           |           |
| ROA                     | .178                     | 2.333        | .021*      | 2.271           |           |
| MBR                     | .003                     | .287         | .775       | 1.258           |           |
| PER                     | .009                     | .661         | .510       | 1.373           |           |
| TOBINQ                  | -.039                    | -.236        | .814       | 1.471           |           |
| QR                      | .170                     | .337         | .736       | 1.359           |           |
| DFO                     | -.913                    | -.905        | .367       | 1.215           |           |
| AGE                     | .152                     | 2.836        | .005**     | 1.259           |           |
| DSA                     | -1.703                   | -1.887       | .061       | 1.170           |           |
| NS                      | 8.481E-5                 | 2.500        | .014**     | 1.622           |           |
| DMC                     | 3.268                    | 2.476        | .015*      | 1.522           |           |
| F-value                 | 3.788                    |              |            |                 |           |
| P-value of F-test       | .000                     |              |            |                 |           |
| Adjusted R <sup>2</sup> | .208                     |              |            |                 |           |
| R <sup>2</sup>          | .282                     |              |            |                 |           |

Notes: Statistically significance at the 0.01\*\* percent level and 0.05\* percent level

## 6. Conclusions

The purpose of this study, as noted in the introduction, is to examine the mandatory disclosure compliance level among non-financial listed companies in Bangladesh. It also investigates the firm-specific characteristics that have a significant influence on the level of compliance to mandatory disclosure. Sixteen hypotheses were formulated to achieve the research objectives. To examine the relationship of the hypotheses, this study uses panel-data of the selected thirty companies for 5-year period and the test of multiple regressions was run.

It is evident from the analysis that companies in Bangladesh do not confirm 100% disclosure practice in their annual reports. The mean disclosure for the sample companies is 59.28%, which is better than the findings (43.53%) of Akhtaruddin (2005a) and the findings (37.60) of Alam (2007). This means that disclosure compliance has improved over the period but still low when compared to the average mandatory disclosure of other developing countries, which is 74.43% for Zimbabwe (Owusu-Ansah, 1998), for Pakistan is 81%, (Ali, et al. 2004) and for India is 81% (Ahmed and Miya, 2007). The main explanation for low level of compliance with mandatory disclosure is the lack or non existence of penalties for noncompliance.

The regression results show a positive and significant relationship between mandatory

disclosure and some corporate attributes. Unlike previous studies, firm size was not found to be a significant explanatory variable for the model. While only return on assets (ROA), a measure of profitability, was found to be a significant explanatory variable. So, it confirms the signaling theory and states that managers of more profitable firms are more motivated to disclose more information in annual reports. We conclude that mandatory disclosure is significantly related to number of outside shareholders, listing age, market category, return on assets and leverage. In summary, the results of the regression analyses reveal that five (35.71% cases) out of fourteen variables used in this study are in conformity with our expectation and affirms the political economic theory, institutional theory and agency theory. An important aspect of this model is that it cannot explain 71.8% independent variables. The results of this study are expected to assist regulatory bodies in formulating policies towards improving the compliance level, which may further enhance the mandatory compliance among the public listed companies.

The main limitation of the study is that it has excluded 66 companies for having different reporting period that did not end at December 31. Another limitation is that the study is not specific to any particular industry. It has not considered all the mandatory items set by regulatory bodies in Bangladesh and the process of selecting relevant items was also arbitrary. Despite these aforesaid limitations, the current findings suggest that corporate compliance levels could be improved with stringent enforcement mechanisms.

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## EXPLORING THE COGNITIVE IMAGE OF TOURISTS FOR VISITING COX'S BAZAR AS A TOURISM DESTINATION IN BANGLADESH

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**Abstract.** This empirical study is conducted to explore the cognitive image factors of tourists for visiting Cox's Bazar as a tourism destination. It applies descriptive study and an Exploratory Factor Analysis (EFA) to meet the study objectives. Convenience sampling method was used to select 266 samples. Data were collected using structured questionnaire considering seven points Likert-Scales and the collected data were analyzed using SPSS 20.00. The study explores five cognitive image factors (i.e., ancillary services and security, natural attractions, food and shopping, tourist's support services, and transportation) which basically represent the cognitive image of tourist at this destination. The tourists consider these factors to choose this destination also for visiting. The factor natural attraction bears the highest opinion of tourists which very greatly constitutes the cognitive image of this destination. While the respondents seem that ancillary services and security represent the lowest contribution. The rest of the other factors represent more or less same value to constitute the cognitive image of the destination. Therefore, this study will provide valuable information for the stake holders to formulate development plan, to increase its image and to operate this destination effectively. However it will extend the existing image literatures and the academicians, researchers and students will get some sought of benefit.

**Keywords:** Tourist, Cox's Bazar, Exploratory Factor Analysis and Cognitive Image

### 1. Introduction

Tourism is one of the rapidly growing service sectors which contributing in economic growth and creating employment opportunity (Cooper & Hall, 2008; Kay, 2003; Koc, 2004; Nayomi & Gnanapala, 2015; Ninemeier & Perdue, 2005; Tabassum, Rahaman

& Jahan, 2012). This sector plays as one of the important sectors for development of all countries and acts as a major source of generating income and wealth (Dupeyras & MacCallum, 2013). Tourism includes activities where people travel and stay for a period of not more than one consecutive year for leisure business or other purposes in locations outside their usual surrounding (World Travel and Tourism Council, 2013). It is one of the most important service sectors which have a great impact in the economy, employment and fostering investment of Bangladesh. Bangladesh is a small deltaic riverine country which possesses tremendous natural and cultural resources. It has many touristic attractions in particular the two undisputed heritages, largest natural mangrove forest Sundarbans and the largest unbroken sea beach Cox's Bazar. Moreover, World Tourism and Travel Council (WTTC, 2017) depicted that the direct contribution of tourism and travel for GDP growth was 3.1% and generates additional 6 million jobs in tourism sector in 2016 globally. It contributed totally 10.2% of global GDP and generated 292 million jobs, equivalent 1 in 10 jobs in the global economy in 2016. The economic impact of travel and tourism sector is appraisable in Bangladesh and it looks onward gradually. Travel and tourism contributed directly to GDP BDT 421.2bn in Bangladesh which was 2.2% of total GDP in 2016 (WTTC, 2017). It also generated 1057000 jobs directly (1.8% of total employment) where as the total contribution indirectly supported by tourism industry was 3.8% of total employment (2,187,000) in the year 2016. This contribution seems to rise by 2.7% in 2017 to 2,247,000 jobs and by 1.8% pa to 2,695,000 jobs in 2027. Though tourism is one of the profitable industries over the world, Bangladesh can use it with its natural wonders and variety of unique and magnificent creatures for tourists' attraction (Tuhin & Majumder, 2011). It is possible by increasing the competitiveness of its tourism attractions. Therefore image is one of the most important issues and positive image of a destination increases the attractiveness of it also. It creates uniqueness and opportunity to attract more domestic and international tourists. Though Cox's Bazar is the natural wonders and it is the largest unbroken sea beach. The image issue should be considered to market this destination effectively among tourists. In addition to that numerous people are directly and indirectly depend on this destination for their living. This study considers the image issue for these reasons and tries to understand its present image among the tourists.

## **2. Background of the Study**

Cox's Bazar is the tourist capital in Bangladesh which has economic as well as social value in the country (Mamun, Hasan & Hossain, 2013). It is the longest 120km unbroken sea beach slopping here down to the blue water of the Bay of Bengal in the world which is mostly visited by domestic and international tourists. Tourists visit this destination for its different attractive features such as a longest sea beach covering miles of golden sands, surfing waves, soaring cliffs, rare conch shells, Buddhists Temples, Pa-

godas and enjoyable sea-food. These features make uniqueness of this destination which cannot be seen anywhere in the world by tourists (Mamun, Hasan & Hossain, 2013). Tourists can birth and swim here due to the suited warm shark free water along with the opportunity of sun-bathing offered by the sandy beach. In addition to that tourists can also enjoy the charming beauty of sun-sitting behind the sea waves, the silvery waves, the high tides on the one side, the chain of green deep forested hills, and the colorful tribal people, etc.

A large number of tourists from home and abroad visit this destination every year. During the peak season (October to April) near about 2 million of tourists visit Cox's Bazar and this number expected by 15 million in 2030 (Hasan & Shahnewaz, 2014). There are 220 hotels and guest houses each of which employs an average 20 people and thus the total number of employees at different hotels is 4400 (Mamun, Hasan & Hossain, 2013). This study further argued that 154 restaurants are also available at Cox's Bazar to serve foods for the tourists. In addition to that there are 54 registered tour operators and guide houses each of which employs an average 15 peoples and thus the total number of people employed as tour operators is 810. Beside these many local people including students are involved as tourist's guides, rent-a-car business, junk business, land business, opening departmental stores, hiring umbrella on the sea beach locally known as 'kit-kot', driving small playing vehicles on the beach locally known as 'z-ski' and so on. Numerous people are involved also in fishing, collecting sea food and sea product for their livelihood. In total 10000 people are involved in different tourism related activities in Cox's Bazar and each of them are able to provide food for their family of 6 members. This indicates that 60,000 people or more are dependent on this tourism destination (Ahammed, 2010). It is understood generally that this destination has brought a great change in this area in the field of economy, employment and tourism business. The stakeholders such as investors, hoteliers, tour operators, local people, developers are also getting benefit to change and increase their standard of living also only for the presence of this destination.

### **3. Literature Review**

Image of a destination is seen as a mental picture formed by a set of attributes (Beerli & Martin, 2004). Crompton (1979) defined an image as the sum of beliefs, ideas and impressions that a person bears in his/ her mind of a destination. Sahbaz (2008) stated image as a view of picture of a destination which attracts tourist to visit the destination and to spend more money. Numerous studies argued that image is becoming one of the key factors for a destination choice (Beerli & Martin, 2004; Bigne, Sanchez & Sanchez, 2001; Castro, Armario & Ruiz, 2007; Chen & Tsai, 2007; Chi & Qu, 2008; Gallarza, Saura & Garcia, 2002; Lee, 2009; Schneider & Somnez, 1999; Wang & Hsu, 2010) and with strong and positive image of destination has higher probability of chosen by the tourists (Beerli & Martin, 2004; Echtner & Ritchie, 1993; Gartner & Shen, 1992; Hunt, 1975; Lee, 2009; Puh, 2014). The image concept used in tourism is con-

sidered as destination image (Temizkan, 2004).

Different studies over the year identified various factors to choice a destination by tourists. Mathieson and Well (1982) identified three factors which are responsible to consider a destination for visiting by tourists. These are the dynamic phase, the static phase and the range of facilities at the destination. The study also depicted that transportation is known as dynamic phase whereas the destination itself plays as the static phase. In addition to that the range of facilities includes the accommodation and guide facility which is the combination of static and dynamic phases also. Ross (1993) used a bipolar scale to measure Australia's image considering the factors scenic beauty, climate and cultural/historical attributes.

While Kozak and Rimmington (1999) argued that the attractiveness of a destination includes the attractions (scenery/natural resources, climate, culture, food, history, ethnicity and accessibility), facilities and services (accommodation, airports, bus/train, sport facilities, entertainments, shopping centres, and food and beverage facilities) infrastructure (water system, communication networks, health care, power sources, sewage/drainage areas, streets/highways, and security system), hospitality (friendliness, helpfulness, and responsiveness to complaints) and cost (value for money, accommodation prices, food and beverage prices, transportation prices, and shopping prices).

Though numerous studies are conducted and empirically tested for different issues on Cox's Bazar (Table-1), there are still significant gap to understand the image of this destination. Considering this gap the present study considers 22 variables taking support from different existing literatures (Table-2) which constitute different cognitive image factors. This cognitive image factors are the perceptual component and can be interpreted as the whole beliefs and knowledge of tourists about the physical attributes of Cox's Bazar as a tourism destination. It plays an important role to attract tourists.

Table-1: Different Studies about Cox's Bazar

| Author/ Authors                     | Year | Research Title  |
|-------------------------------------|------|---|
| Bhuiyan                             | 2016 | To examines the influence of economic and social impact of tourism on the attitude of local residents' of Cox's Bazar |
| Dey                                 | 2012 | STP Strategies for Promoting Cox's Bazar Sea Beach in Bangladesh as a Tourists' Destination                           |
| Hasan and Shahnewaz                 | 2014 | Measuring Tourist Service Satisfaction at Destination: A Case Study of Cox's Bazar Sea Beach, Bangladesh              |
| Hossain, Quddus, Shanka and Hossain | 2011 | Perceived Quality, Satisfaction, and Loyalty at the Destination Level of Cox's Bazar, Bangladesh                      |
| Hayat and Supinits                  | 2016 | Measuring Domestic Tourist Satisfaction at Cox's Bazar Sea Beach, Bangladesh  |
| Ahammed                             | 2010 | Impact of Tourism in Cox's Bazar, Bangladesh  |
| Mamun, Hasan and Hossain            | 2013 | Image of Cox's Bazar Beach as a Tourist Destination: An Investigation   |
| Rahman                              | 2015 | Costal Tourism Development Case Study Cox's Bazar, Bangladesh   |

#### **4. Research Objectives**

This study is conducted to meet the following objectives-

- a) To explore the variables which bear the image of Cox's Bazar,
- b) To find out the factors of cognitive image, and
- c) To understand the perceptual positions of these image variables in the mind of tourists.

#### **5. Research Methodology**

*5.1 Sampling Design:* This study considers all the tourists who visit Cox's Bazar as a target population. Sample frame included the tourists, who were available to visit this destination during the data collection phase (1st January, 2016 to 31st March, 2016). This study applied convenient sampling technique to select respondents for survey data collection.

*5.2 Survey Questionnaire Design:* The study developed the survey questionnaire through existing literature which was already published and tested empirically (Table-2). The questionnaire contained two sections. The first section of the questionnaire contains 22 variables which bear the cognitive image of Cox's Bazar. Seven Point Likert-Scales was used to indicate the level of agreement of the tourists ranging from 7 = very strongly agree and 1 = very strongly disagree. Malhotra, Hall, Shaw and Crisp (1996) argued that this scale is widely used to understand and measure of customers or visitors perception, beliefs, and attitude regarding an object, a brand, a place, and a product. Last section of the questionnaire was related to the socio-demographic information of the respondents to identify their characteristics.

*5.3 Data Collection and Data Analysis:* The nature of this study is empirical and quantitative method was used to collect data. This method is very much popular in business and social science research. Though this study is conducted to understand the image of the destination, it applied this method for major three purposes. First, it imitates the philosophical assumption of post-positivist research. Second, it allows simple statistical tools, easy administration of data using code for further processing and resulting in easy writing. Third, the quantified results are more reliable to compare a destination with other destinations which is the main interest for a destination manager. A total 320 questionnaires were distributed among the tourists at the Cox's Bazar at the time data collection period. A total 295 questionnaires were returned, representing a response rate of 92.19%. The returned questionnaires were then checked for screening of completeness and finally 266 samples were deemed for final analysis.

Data were analyzed using the Statistical Package for the Social Sciences (SPSS 20.00). Descriptive statistics and an Exploratory Factor Analysis (EFA) were conducted. Descriptive study used to analyze the distribution of data. However, EFA used to explore

the possible underlying factor structure of a set of observed variables without imposing a preconceived structure on the outcome (Child, 1990). The Principal Components and Orthogonal (VARIMAX) rotation methodology were used and only factors with Eigenvalue equal or greater than one (1) are retained. Variable with factor loading of 0.5 or more is kept within the factor.

*5.4 Pre-testing:* This study considers pre-testing to ensure the clarity, reliability and comprehensiveness of the survey questionnaire. A total 30 questionnaire were distributed among 30 tourists who have already been visited Cox's Bazar at least once. Some modifications of wording were made considering the recommendations of the participants for the final survey questionnaire.

*5.5 Scale Reliability:* A reliability analysis (Cronbach's Alpha) is used to gauge the reliability of the instrument's items which determines the internal consistency or average correlation of the items. The reliability analysis reveals that the alpha coefficient is 0.799, which exceeds the minimum coefficient (0.5) suggests by Hair, Anderson, Tatham and Black (1998).

## **6. Results and Discussion**

*6.1 Demographic Profile of the Respondents:* The result of demographic characteristics of the respondent is shown in the Table-3. It shows that the useable questionnaires are distributed to 266 respondents, representing 60.9% of male and 34.6% of female respectively. Half of the tourists are in the age group of 21-30 years and the second largest group of respondents fall in the age group 31-40 years, representing of 27.4% of the total samples. While 40.2% of the respondents are students and 21.8% and 17.3% are tourism service providers and employees in public and private institution respectively. Tourism service providers include the tourism business people and employees related with this industry. In addition, the survey reveals that the education level of tourist at Cox's Bazar is relatively high and 35.7% completed graduation level of education. In the mean time 31.6% of the respondents have completed their education in the post graduation level. The study also depicts that 24.8% of the respondents' monthly income fall in the range of Tk. 10,000 -20000. Moreover 19.2% of the tourists monthly income is Tk.30,001-35,000 and 13.9% of the respondents are showing their income per month ranging Tk. 35,001- 40,000. It is also seen from the samples that the married respondents are of 51.5% and the rest of them are in single. Tourists from different divisions of Bangladesh less or more visit this destination representing 24.4% from Dhaka Division, 17.3% from Rangpur Division, 13.2% and 10.5% from Khulna and Barisal Divisions respectively. Near about half 43.2% of the tourists visit this destination with friends and the second largest portion of the samples representing 39.8% generally visit with family. The rest of the portions generally visit this destination with colleagues and others representing 11.7% and 5.3% respectively.

*Exploring the Cognitive Image of Tourists for Visiting Cox's Bazar as a Tourism Destination in Bangladesh*

| Characteristics |                           | Freq. | %    | Characteristics                   |                      | Freq.  | %    |
|-----------------|---------------------------|-------|------|-----------------------------------|----------------------|--------|------|
| Age             | Less than 20 Yrs          | 13    | 4.9  | Monthly Income of Re-<br>spondent | Less than Tk. 10,000 | 27     | 10.2 |
|                 | 21-30 Yrs                 | 133   | 50.0 |                                   | Tk.10,000-20,000     | 66     | 24.8 |
|                 | 31-40 Yrs                 | 73    | 27.4 |                                   | Tk.20,001- 25000     | 25     | 9.4  |
|                 | 40-50 Yrs                 | 35    | 13.2 |                                   | Tk.25,001-30,000     | 29     | 10.9 |
|                 | 50 Yrs more               | 12    | 4.5  |                                   | Tk.30,001-35000      | 51     | 19.2 |
| Education       | SSC Level                 | 22    | 8.3  |                                   | Tk.35,001-40,000     | 37     | 13.9 |
|                 | HSC Level                 | 58    | 21.8 |                                   | Tk.40,001- 45000     | 16     | 6.0  |
|                 | Graduation Level          | 95    | 35.7 |                                   | More than Tk.45,000  | 15     | 5.6  |
|                 | Post Graduation Level     | 84    | 31.6 | Division of Living                | Chittagong           | 36     | 13.5 |
|                 | More                      | 7     | 2.6  |                                   | Dhaka                | 65     | 24.4 |
| Profession      | Business                  | 36    | 13.5 |                                   | Khulna               | 35     | 13.2 |
|                 | Tourism Service Providers | 58    | 21.8 |                                   | Barisal              | 28     | 10.5 |
|                 | Students                  | 107   | 40.2 |                                   | Sylhet               | 13     | 4.9  |
|                 | Employee                  | 46    | 17.3 |                                   | Rajshahi             | 43     | 16.2 |
|                 | Others                    | 19    | 7.1  |                                   | Rangpur              | 46     | 17.3 |
| Gender          | Male                      | 162   | 60.9 |                                   | Generally Visit with | Family | 106  |
|                 | Female                    | 104   | 39.1 | Friends                           |                      | 115    | 43.2 |
| Marital Status  | Single                    | 129   | 48.5 | Colleagues                        |                      | 31     | 11.7 |
|                 | Married                   | 137   | 51.5 | Others                            |                      | 14     | 5.3  |

**6.2 Exploratory Factor Analysis (EFA):** This study conducts EFA to explore the cognitive image factors which are considered by tourists' to choice Cox's Bazar as a tourism destination. Initially 22 variables were considered and finally 17 variables were retained. The rest five variables were dropped due to low communalities ( $>0.40$ ) and factor loading less than ( $0.50$ ) which increases the total variance explained approximately 3% (from 55.49% to 58.60%).

**6.2.1. Kaiser-Meyer-Olkin (KMO):** This study applied the overall measure of sample adequacy (MSA) test to understand the adequacy and normality of the samples. The recommended threshold of sampling adequacy value is at the minimum of 0.500 (Hair et al., 1998). The KMO value is 0.819 for this study indicating that the sample size is adequate enough and more than 0.700 indicates the normality of the data also. So, the study result indicates the normality of the data and it is suitable for exploratory factor analysis.

Beside these, the Bartlett's Test of Sphericity was used to indicate that the variables in the study are not correlated. The results of Bartlett test of Sphericity is significant ( $\chi^2 = 1099.011$ ,  $p = 0.000$ ). Base on the Eigen-value greater than one, scree-plot criteria and the percentage of variance criterion, five factors finally retained which constitute the cognitive image of the destination. The results of the principle component analysis with orthogonal (VARIMAX) rotations are shown in Table-4.

The Cronbach's alpha value was considered for testing the consistency of the entire scale and this value is 0.756. Beside these, the scale reliability for each factor is tested to understand the internal consistency by assessing the item –to-total correlation for each separate item. The lower limit of Cronbach's alpha value is 0.524 which exceeds the suggested criteria of 0.500. The factors are labeled based on highly loaded items and the common characteristics of the items.

*6.2.1.1 Ancillary Services and Security:* This is the first factor which explains the variance of 47.19% and it bears Cronbach's alpha coefficient 0.653. It contains six variables which represent the average opinion of tourist ranging from 5.01 to 4.38 (Table-4). These values indicate that these services are available to visitors for this destination. While the variables dress change facility and emergency services have shown the lowest opinion of tourists representing of 4.38 and 4.53 respectively. The destination operators should develop these two services to make it more visible to the tourists.

*6.2.1.2 Natural Attraction:* It is the second cognitive image factor which contains three variables such as scenery of sunset, impressive natural scenery and enjoyable sea waves. These are the main attraction of visiting this destination by tourists. It represents the alpha value of 0.666. The averages opinion of tourists are very high representing the value ranging 6.15- 6.02. It indicates these services are available and visible to tourists. The destination operators should communicate these services to the potential tourist. They should also maintain these services because these are the competitive strength of this destination than the other destination.

*6.2.1.3 Food and Shopping:* This factor is very much important to tourists to visit a destination. Tourists basically stay at the destination. The availability of this factor satisfies more and it constitutes the cognitive image of the destination positively. It contains three variables which are such as number of good restaurants, availability of local and sea product for shopping, and preferable foods. The Cronbach's Alpha value is 0.560 for this factor indicating the variables internally consistent. The average opinion of tourists ranges from 5.24-4.91 which indicate the availability of these services at the destination. The destination should retain it and should communicate with the potential tourists.

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Table-4: Exploratory Factor Analysis of Cognitive Image of Cox's Bazar in Bangladesh

| Items   | Factors Loading |       |       |       |       | Mean | S.D  |
|---|-----------------|-------|-------|-------|-------|------|------|
| F1: Ancillary Services and Security<br>Dress change facility available for tourists             | .742            |       |       |       |       | 4.38 | 1.76 |
| Availability of surfing, boating, driving and horse riding                                      | .722            |       |       |       |       | 4.58 | 1.60 |
| Available emergency services (lifeboat, ambulance, fast aid, etc.)                              | .720            |       |       |       |       | 4.53 | 1.54 |
| Safety at beach for tourists  | .707            |       |       |       |       | 4.66 | 1.39 |
| Available local information centre for tourists   | .635            |       |       |       |       | 4.83 | 1.34 |
| Sunbathing facility in the beach  | .624            |       |       |       |       | 5.01 | 1.37 |
| F2: Natural Attractions<br>Scenery of sunset is amazing   |                 | .789  |       |       |       | 6.08 | 1.17 |
| Impressive natural scenery  |                 | .782  |       |       |       | 6.15 | 1.02 |
| Sea waves is enjoyable  |                 | .714  |       |       |       | 6.02 | 1.18 |
| F3: Food and Shopping<br>Number of good restaurants are available                               |                 |       | .676  |       |       | 4.97 | 1.24 |
| Available local product and sea product for shopping  |                 |       | .673  |       |       | 5.24 | 1.25 |
| Preferable foods are available at the restaurants   |                 |       | .644  |       |       | 4.91 | 1.32 |
| F4: Tourist Support Services<br>Financial institution for withdrawing instant cash is available |                 |       |       | .767  |       | 5.07 | 1.26 |
| Available swimming, surfing and boating facilities for tourists                                 |                 |       |       | .665  |       | 5.00 | 1.29 |
| Tourist guide facility is available   |                 |       |       | .496  |       | 4.97 | 1.28 |
| F5: Transportation<br>Local transportations are available                                       |                 |       |       |       | .759  | 4.60 | 1.50 |
| Transportation cost is affordable   |                 |       |       |       | .733  | 4.92 | 1.41 |
| Eigen-value   | 4.318           | 2.171 | 1.298 | 1.138 | 1.037 |      |      |
| Variance (%)  | 25.40           | 12.77 | 7.63  | 6.70  | 6.10  |      |      |
| Cumulative variance (%)   | 25.40           | 38.17 | 45.80 | 52.50 | 58.60 |      |      |
| Cronbach's alpha  | .653            | .666  | .560  | .657  | .524  |      |      |

*6.2.1.4 Tourist Support Services:* This factor is very much important for tourists to visit a destination. Tourists want supports to visit a destination conveniently. It contains three variables namely available financial institutions for withdrawing cash, available swimming and boating facilities, and tourist guide facility. The value of Cronbach's Alpha is 0.657 and representing the average opinion of tourists' ranges from 5.07 to 4.97. It indicates the availability of these services at the destination. The destination operators should make it more visible to tourists so that they can visit the destination conveniently.

*6.2.1.5 Transportation:* This factor is considered in different studies to measure cognitive image (e.g., Baloglu, 1997; Kim & Yoon, 2007; Pike, 2007; Yew & Malek, 2006). It helps to access at the destination by tourists easily. There are two variables within this factor which possesses Cronbach's Alpha value of 0.524. The variables are such as availability of local transportation and transportation cost. The average opinion of tour-

ists ranges from 4.92-4.60 which represents the availability of these facilities at the destination for tourists. Though the tourists perceive the cost of transportation is high. The destination operators should provide keen attention to charge reasonable fare for this facility and it should make more visible to them.

## **7. Practical Implications**

The tourism industry market is now too much competitive and the destination operators require update image information of the destination to make viable competitive strategies. However, some destinations have the unique competitiveness than other destinations which help to attract tourists for visiting. This study will help to seek valuable information about the factors of cognitive image formation of Cox's Bazar which will be beneficial to tourism planning, marketing, development and conservation. Furthermore, this study will provide valuable information to the authority of the destination for formulating development plan. It will be also necessary for the students, academicians, researchers and tourism related people and will enrich the existing cognitive image, tourists' satisfaction and tourists' behavioral intention and loyalty related literatures. Tourists will also get some valuable information about the destination for taking visiting decision.

## **8. Conclusion and Future Research Directions**

Though the tourism industry is one of the fastest growing service industries, the number of tourists is growing on one side and destinations the other side (Puh, 2014). It makes this market more turbulent which indicates to find out new ways to attract tourists. So, the image issue plays an important role for the destination to attract tourists and makes the destination distinctive from others. This study is conducted to explore the cognitive image factors which are considered by tourists to visit Cox's Bazar. It applies descriptive study and exploratory factor analysis to meet the study objectives. The findings of the study explore five cognitive factors that basically consider by the tourists to visit this destination. The tourists argue that the factor (Natural attractions) is more available at the destination. While transportation facility is not so up to mark at the destination as they expect to visit. Moreover, it is also noticed that the sample size is small for generalization and all of the respondents are domestic tourists. There might be another variables or factors which constitute the image of the destination. Therefore the result of the study will be more accurate by increasing the samples and considering more variables by conducting field study. So, this study will use as reference and future research plan is to increase the sample up to 350. It will be helpful to test the data more extensively to conduct CFA (Conformity Factor Analysis) and develop a destination image model using Structural Equation Modeling (SEM) to make the factor context more specific by following the destination image theory. This will provide with reference for future use.

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## Appendix

Table-2: Considered Variables for the Current Study

| <b>Variables</b>   | <b>Supported by Existing Literatures</b>   |
|--|--|
| Dress change facility available for tourists                       | Dey, 2012.   |
| Available surfing, boating, driving and horse riding               | Dey, 2012; Dey, Uddin & Hasan, 2013.   |
| Available emergency services (lifeboat, ambulance, fast aid, etc.) | Dey, 2012; Hasan & Shahnewaz, 2014; Mamun, Hasan & Hossain, 2013; Roca, Villares, & Ortego, 2009.                            |
| Personal safety and security at beach                              | Wong & Dioko, 2013; Bhat & Quadir, 2013; Ozdimir, Aksu, Ehtiyar, Cizel, Cizel., & Icigen, 2012; Lui, Liu, Huang & Wen, 2010. |
| Available local information centre for tourists                    | Dey, Uddin & Hasan, 2013; McKenna, Willams, & Cooper, 2010.  |
| Sunbathing facility in the beach                                   | Dey, Uddin & Hasan, 2013; Roca et al., 2009; McKenna, et. al., 2010; Dey, 2012.  |
| Scenery of sunset is amazing                                       | Dey, 2012; Mamun, Hasan & Hossain, 2013.   |
| Natural attraction of the beach is impressive                      | Dey, 2012; Dey, Uddin & Hasan, 2013; Mamun, Hasan & Hossain, 2013.   |
| Sea waves is enjoyable   | Dey, 2012; Dey, Uddin & Hasan, 2013; Mamun, Hasan & Hossain, 2013; McKenna, et. al., 2010; Roca et al., 2009.                |
| Number of good restaurants are available                           | Ray & Rahman, 2016.  |
| Available local product and sea product for shopping               | Dey, Uddin & Hasan, 2013; Mamun, Hasan & Hossain, 2013.  |
| Preferable foods are available at the restaurants                  | Hossain & Hossain, 2013.   |
| Financial institution for withdrawing instant cash is available    | Dey, 2012; Dey, Uddin & Hasan, 2013.   |
| Available swimming, surfing and boating facilities for tourists    | Dey, 2012; Dey, Uddin & Hasan, 2013; Mamun, Hasan & Hossain, 2013.   |
| Tourist guide facility is available                                | Hasan & Shahnewaz, 2014; Hossain, Quddus, Shanka & Hossain, 2011.  |
| Local transportations are available                                | Dey, Uddin & Hasan, 2013.  |
| Transportation cost is affordable                                  | Dey, Uddin & Hasan, 2013; Hossain, Quddus, Shanka & Hossain, 2011.   |
| Water transportation facility                                      | Dey, Uddin & Hasan, 2013; Dey, 2012  |
| Parking facility   | Roca et al., 2009  |
| Cordial behave of local peoples                                    | Dey, Uddin & Hasan, 2013; McKenna, et. al., 2010; Dey, 2012; Vadell, Armas & Taño, 2013.                                     |
| Service charges at accommodation                                   | Dey, Uddin & Hasan, 2013; Roca et al., 2009; Ahammed, 2010   |
| Price of food & beverage   | Dey, Uddin & Hasan, 2013; Roca et al., 2009; Ahammed, 2010   |

## RECEIVABLES MANAGEMENT OF PHARMACEUTICAL INDUSTRY IN BANGLADESH

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**Abstract.** The receivable is the second largest component of working capital of pharmaceutical industry in Bangladesh. Receivable management is one of the key areas of working capital management. In the present study an attempt has been made to observe the receivable management practices in the pharmaceutical industry in Bangladesh. In order to achieve the objectives secondary data of six pharmaceutical companies listed in Dhaka stock exchange have been collected for the period of 15 years from 2000-01 to 2014-15. The management of receivables of the industry is examined by volume of receivables, structures of receivables, control of receivables through the percentage of receivables to total assets, percentage of receivables to total current assets, percentage of receivables to sales and efficiency by the receivables turnover and average collection period (ACP). The results of the analysis indicate that receivables management of the pharmaceutical industry was far from satisfactory level.

**Keywords:** Working Capital Management, Receivables, Liquidity, Efficiency

### 1. Introduction

The pharmaceutical industry has technologically developed industry in Bangladesh. The industry fulfills high percentage of local demand of medicine. The industry contributes almost 1 percent of GDP and is currently the third largest tax paying sector in the country and the industry employs 115000 workers between 2013 and 2014, and the growth stood around 11.37% (Rahman, 2016). Receivable management means making decisions relating to the investment of funds in receivables as a part of its internal operations (Scherr, 2007). The objective of receivables management is to minimize investment in receivables and maximize return on investment. The receivables are the second largest component of working capital. Receivables of the pharmaceutical indus-

try are consisting of trade and non-trade receivable. Efficiency of working capital management heavily depends on the efficiency of receivables management. If the receivable period increases, this will have a negative impact on profitability (Van Horne & Wachowicz, 2008). The evaluation of receivable management has done by analyzing the size of receivable and efficiency management and collection policies.

### ***1.1 Statement of the Problem***

The pharmaceutical is considered as self-sufficient for supplying almost 98 percent of local demand of medicine. According to IMS Health, annual pharmaceutical sales in the local market may reach BDT 160 billion within 2018 (Rahman, 2016). With the expansion of business and demand in the world market Bangladesh exports medicines to abroad. At present, active formulations are exported to 92 countries around the world.

From the earlier study it was found that profitability, liquidity condition and financial position and performance in not in a good position and it was also seen that pharmaceutical companies in Bangladesh have chance of facing bankruptcy. Financial management in efficiency, proper goal setting, government strict regulations is leading to the above situation (Majumder & Rahman, 2011). There are several studies conducted by (Chowdhury & Amin, 2007) (Bhuiyan & Sultana, 2010), (Bhuiyan, Sultana & Sultana (2011), (Habib & Alam (2011), (Islam and Mili, 2012), but none of these were comprehensive. By considering the importance of the pharmaceutical industry and above mentioned research gap researcher has chosen title as receivables management of pharmaceutical industry in Bangladesh. The present study is an attempt to examine the receivable management of pharmaceutical industry in Bangladesh.

### ***1.2 Objectives of the Study***

The main objective of the study is to evaluate receivables management of pharmaceutical industry in Bangladesh. The specific objectives of the present study are as follows

- i. To analyze the adequacy of receivables;
- ii. To assess the effective control of receivables; and
- iii. To examine the receivables management practices in the pharmaceutical industry.

### ***1.3 Scope of the Study***

The pharmaceutical industry is the most developed industry in Bangladesh. The present study covers the listed pharmaceutical companies in Dhaka stock exchange. There are only 13 listed firms in the industry of which 7 firms fulfill the study period. I have chosen 6 firms for the study. Receivables is the credit supplied by the firm. The credit sales raise the volume of the sales and profit. So management of receivables affects liquidity and profitability.

## **2. Literature Review**

Islam (2000) in his paper, receivable management in the public sector paper mills of Bangladesh, attempted to examine is there any connection of receivable management of public and poor performance of paper mills. Researchers are used size and structure of receivables, percentage of receivables to current assets, percentage of receivables to sales, percentage of debtors to receivables, the percentage of loans and advances to receivables, average collection period, correlation between average growth rate of sales and growth rate of debt and statistical tool mean, standard deviation, coefficient of variation coefficient of determination. He showed that the management of receivables of public sector paper mills was poor in all units except one. He also found that poor performing units had huge investments in receivables and there was no uniform relationship with sales of all units. Overall efficiency of collection was not satisfactory.

Mohanty, Pani and Swain (2014), in their study on receivable management: a case study of Indian pharmaceutical industry, the main objective of the study was to analyze the efficiency of Receivables Management in the selected sample pharmaceutical companies of India. The ratios used in this study include receivables to current asset ratio, receivables to total asset ratio, receivables to sales ratio, debtor's turnover ratio (times), average collection period (in days), receivables to payables ratio and statistical tool ANOVA. The overall analysis clearly that study the sample companies managed their receivables satisfactorily.

Rao and Gaglani (2014) made an important study impact of receivables management on working capital: a study on selected cement companies, the objectives were to analyze the efficiency of receivables management and to assess the impact of receivables management on working capital management. The study covers a period of ten years from 2003-04 to 2012- 13 and nine selected cement companies. The present study is only based on secondary data and. The major sources of secondary data being the financial statements published in the annual reports. The ratios used in this study include receivables to current asset ratio, receivables to total asset ratio, receivables to sales ratio, debtor's turnover ratio (times), average collection period (in days), receivables to payables ratio and ANOVA. The study revealed that there was significant difference in ratio of receivables to current assets, total assets and sales of the selected cement companies.

Ikechukwu and Nwakaego (2015) in their study the effect of receivable management on the profitability of building materials/chemical and paint manufacturing firms in Nigeria to examine the impact of accounts receivable ratio on profitability data from secondary sources have been collected for three companies for a period of 2000 to 2011. The results showed that accounts receivable management had positive and significant effect on profitability, while debt ratio and sales growth rate had negative and non-significant effect on the profitability of building materials/chemical and paint companies listed in Nigeria stock exchange.

Duru, Ekwe and Okpe (2014) made an important study on accounts receivable management and corporate performance of companies in the food & beverage industry: evidence from Nigeria with the objective to examine the effect of accounts receivable ratio on corporate profitability data from secondary sources have been collected for three companies for a period of 2000 to 2011. The hypotheses were analyzed using the multiple regression analytical tools. The findings shown that accounts receivable had negative and non-significant relationship with profitability.

Paul and Mukherjee (2016) done research on receivables management in select companies of Indian steel industry. The objective of this research was to analyze the efficiency of receivable management in selected steel companies of India. To conduct the research data of three steel mills for a period of 10 years from 2006 to 2015 were collected from secondary sources. The ratios used in this study include receivables to current asset ratio, receivables to total asset ratio, receivables to sales ratio, receivable turnover ratio (times) and average collection period (in days). ANOVA used to conduct the statistical analysis for the study. They found out that the select companies of steel industry in India managed their receivables satisfactorily.

### **3. Methodology**

In this present study data have been collected from secondary sources. The secondary data are collected from annual reports for the period of 15 years from 2000-01 to 2014-15 of the selected firms. To achieve the objectives six out of thirteen pharmaceutical companies have been selected for the study purposively (appendix Table). The receivables management of the industry examined by volume of receivables, structures of receivables, control of receivables through the percentage of receivables to total assets, percentage of receivables to total current assets, percentage of receivables to sales and efficiency by the receivables turnover and average collection period.

### **4. Results and Discussion**

**4.1 Size of Receivables:** The size of the receivables is closely related with a firm's terms of trade which includes the credit period, the discount rate and collection policies. The important factor in determining the volume of receivables is the level of a firm's sales. With an increase in the size of sales, it may decide to bring about a proportionate increase in the magnitude of receivables. From the table:1 it seen that over the period of study from 2000-01 to 2014-15, the receivables shown a fluctuating trend in the pharmaceutical industry. It started from 13694.66 lakhs in 2000-01 then increased to 19581.65 lakhs in 2001-02 again it declined to 19398.43 lakhs 2002-03. Af-

ter 2002-03 it rose to 38119.37 in 2005-06. There was an upward trend in receivable after 2008-09 to 2014-15. For the individual companies it had varied over 2000-01 to 2014-15.

Table :1, Size of receivables at pharmaceutical industry in Bangladesh from 2000-01 to 2014-15 (BDT in Lakhs)

| Year    | AMB      | SPL       | BPL       | GSK      | IBN      | RPL      | Total     |
|---------|----------|-----------|-----------|----------|----------|----------|-----------|
| 2000-01 | 292.01   | 5229.92   | 5968.33   | 1088.4   | 478.18   | 637.84   | 13694.66  |
| 2001-02 | 338.19   | 8446.18   | 8637.69   | 1077.0   | 426.88   | 655.68   | 19581.65  |
| 2002-03 | 467.18   | 6513.30   | 9241.42   | 1769.0   | 361.28   | 1046.27  | 19398.43  |
| 2003-04 | 829.31   | 11478.70  | 10687.09  | 496.8    | 272.85   | 1128.99  | 24893.77  |
| 2004-05 | 1221.53  | 16952.66  | 13835.64  | 1122.4   | 405.89   | 1622.24  | 35160.37  |
| 2005-06 | 886.09   | 23523.49  | 10218.54  | 1015.7   | 489.33   | 1986.26  | 38119.37  |
| 2006-07 | 1224.51  | 18816.14  | 11855.96  | 2848.4   | 573.93   | 1947.28  | 37266.19  |
| 2007-08 | 776.02   | 20760.44  | 10484.26  | 4203.2   | 789.95   | 3442.27  | 40456.10  |
| 2008-09 | 931.91   | 14310.50  | 13933.16  | 4094.6   | 863.34   | 3438.70  | 37572.25  |
| 2009-10 | 1097.08  | 20872.36  | 16004.86  | 4629.0   | 972.27   | 4783.64  | 48359.26  |
| 2010-11 | 1053.13  | 41102.24  | 18185.45  | 4013.0   | 1105.11  | 6401.95  | 71860.85  |
| 2011-12 | 990.73   | 34707.68  | 21276.81  | 4874.0   | 1123.20  | 8432.31  | 71404.72  |
| 2012-13 | 1343.98  | 25606.06  | 24360.72  | 5060.6   | 1213.88  | 17834.05 | 75419.30  |
| 2013-14 | 1572.63  | 33364.03  | 26211.72  | 10449.1  | 1045.99  | 19263.61 | 91907.06  |
| 2014-15 | 1535.66  | 32060.47  | 33310.27  | 12243.4  | 902.81   | 24755.52 | 104808.15 |
| Total   | 14559.96 | 313744.17 | 234211.91 | 58984.57 | 11024.89 | 97376.63 | 729902.14 |

Sources: Compiled from annual reports of pharmaceutical companies from 2000-01 to 2014-15

**4.2 Structure of Receivables:** A vital yardstick for evaluating the receivable management is the study of their compositions. That study will be helpful for understanding area where receivable is concentrated the most. The receivables of pharmaceutical industry are two types trade and other receivables. Trade receivables which are related to trading activities. But other receivables include advances, prepayments, deposits, intra company loans etc.

**4.2.1 Percentage of trade receivables to total receivable:** Percentage of trade receivables to total receivable gives an indication where the receivables are concentrated.

Table: 2 Percentage of trade receivables to total receivables of selected pharmaceutical companies during 2000-01 to 2014-15

| Year    | AMB   | SPL   | BPL   | GSK  | IBN   | RPL   | Avg.  |
|---------|-------|-------|-------|------|-------|-------|-------|
| 2000-01 | 29.23 | 30.08 | 55.94 | 15.9 | 3.92  | 82.36 | 36.24 |
| 2001-02 | 27.03 | 17.30 | 51.79 | 13.3 | 3.74  | 83.34 | 32.75 |
| 2002-03 | 49.25 | 21.58 | 54.07 | 24.9 | 4.14  | 67.49 | 36.90 |
| 2003-04 | 61.62 | 19.61 | 56.15 | 81.9 | 7.28  | 66.13 | 48.78 |
| 2004-05 | 73.08 | 15.78 | 56.36 | 69.6 | 4.68  | 62.78 | 47.05 |
| 2005-06 | 59.91 | 12.27 | 42.10 | 74.4 | 29.36 | 64.92 | 47.17 |

|         |       |       |       |       |       |       |       |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 2006-07 | 72.10 | 17.16 | 42.15 | 92.8  | 3.09  | 71.75 | 49.83 |
| 2007-08 | 49.20 | 17.35 | 48.06 | 90.2  | 7.57  | 66.17 | 46.42 |
| 2008-09 | 37.97 | 33.37 | 49.82 | 90.3  | 10.01 | 54.69 | 46.02 |
| 2009-10 | 40.65 | 24.35 | 51.32 | 88.6  | 14.40 | 54.07 | 45.57 |
| 2010-11 | 44.04 | 18.79 | 53.79 | 81.0  | 14.60 | 58.25 | 45.08 |
| 2011-12 | 43.39 | 23.29 | 54.63 | 54.9  | 18.57 | 54.78 | 41.60 |
| 2012-13 | 54.51 | 31.28 | 51.29 | 83.7  | 29.15 | 64.07 | 52.34 |
| 2013-14 | 51.91 | 22.71 | 53.32 | 91.3  | 45.73 | 70.35 | 55.89 |
| 2014-15 | 53.16 | 27.90 | 46.44 | 91.2  | 85.69 | 70.73 | 62.51 |
| Avg.    | 49.80 | 22.19 | 51.15 | 69.61 | 18.79 | 66.12 | 46.28 |

Sources: Compiled from annual reports of pharmaceutical companies from 2000-01 to 2014-15

The average percentages of trade receivables to total receivable were 49.80, 22.19, 51.15, 69.61, 18.79 and 66.12 percent for Ambee, Square, Beximco, Glaxo, Ibn Sina and Renata respectively. Above table indicates that Glaxo had the highest ratio and Ibn Sina has the lowest ratio among the sample units. The collective average percentage was 46.28 which indicated that almost half of the receivable come from trade receivables. The trade receivables of individual unit and total average increase with some fluctuations.

*4.2.2 Percentage of other receivables to total receivables:* Percentage of other receivables to total receivable gives an idea about how much of receivables are tied to other receivables.

Table :3 Percentage of other receivables to total receivable of selected pharmaceutical companies during 2000-01 to 2014-15.

| Year    | AMB   | SPL   | BPL   | GSK   | IBN   | RPL   | Avg.  |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 2000-01 | 70.77 | 69.92 | 44.06 | 84.1  | 96.08 | 17.64 | 63.76 |
| 2001-02 | 72.97 | 82.70 | 48.21 | 86.7  | 96.26 | 16.66 | 67.25 |
| 2002-03 | 50.75 | 78.42 | 45.93 | 75.1  | 95.86 | 32.51 | 63.10 |
| 2003-04 | 38.38 | 80.39 | 43.85 | 18.1  | 92.72 | 33.87 | 51.22 |
| 2004-05 | 26.92 | 84.22 | 43.64 | 30.4  | 95.32 | 37.22 | 52.95 |
| 2005-06 | 40.09 | 87.73 | 57.90 | 25.6  | 70.64 | 35.08 | 52.83 |
| 2006-07 | 27.90 | 82.84 | 57.85 | 7.2   | 96.91 | 28.25 | 50.17 |
| 2007-08 | 50.80 | 82.65 | 51.94 | 9.8   | 92.43 | 33.83 | 53.58 |
| 2008-09 | 62.03 | 66.63 | 50.18 | 9.7   | 89.99 | 45.31 | 53.98 |
| 2009-10 | 59.35 | 75.65 | 48.68 | 11.4  | 85.60 | 45.93 | 54.43 |
| 2010-11 | 55.96 | 81.21 | 46.21 | 19.0  | 85.40 | 41.75 | 54.92 |
| 2011-12 | 56.61 | 76.71 | 45.37 | 45.1  | 81.43 | 45.22 | 58.40 |
| 2012-13 | 45.49 | 68.72 | 48.71 | 16.3  | 70.85 | 35.93 | 47.66 |
| 2013-14 | 48.09 | 77.29 | 46.68 | 8.7   | 54.27 | 29.65 | 44.11 |
| 2014-15 | 46.84 | 72.10 | 53.56 | 8.8   | 14.31 | 29.27 | 37.49 |
| Avg.    | 50.20 | 77.81 | 48.85 | 30.39 | 81.21 | 33.88 | 53.72 |

Sources: Compiled from annual reports of pharmaceutical companies from 2000-01 to 2014-15

The above table depicts the percentage of other receivables to total receivables of selected pharmaceutical companies in Bangladesh. The percentage of total average was 53.72 which indicated that more half of other than trade receivables constitute receivables. The ratio was the highest for Ibn Sina and the lowest for Glaxo and it implies that more of fund engaged in it.

**4.3 Adequacy and Control of Receivables:** The controlling of receivables is judged by the receivables as percentages of total assets, receivables as percentages of current assets, receivables as percentages of sales.

**4.3.1 Receivables as percentages of total assets:** Percentage of receivables to total assets an important tool for measuring adequacy of receivables in the pharmaceutical industry in Bangladesh. According to (Weston and Brigham, 1978), receivables should not exceed 6 to 18 percentages of total assets.

Table: 4 Receivables as percentages of total assets of selected pharmaceutical companies during 2000-01 to 2014-15.

| Year    | AMB   | SPL   | BPL   | GSK   | IBN   | RPL   | Avg.  |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 2000-01 | 22.19 | 13.72 | 9.38  | 12.87 | 21.01 | 9.35  | 14.76 |
| 2001-02 | 25.05 | 18.65 | 12.77 | 12.03 | 17.61 | 9.19  | 15.88 |
| 2002-03 | 27.74 | 11.10 | 11.53 | 15.91 | 10.67 | 12.13 | 14.85 |
| 2003-04 | 45.74 | 24.81 | 12.48 | 4.50  | 10.48 | 10.76 | 18.13 |
| 2004-05 | 58.96 | 28.45 | 12.64 | 10.46 | 13.96 | 12.73 | 22.87 |
| 2005-06 | 32.22 | 25.30 | 8.58  | 10.05 | 14.55 | 11.18 | 16.98 |
| 2006-07 | 42.62 | 17.94 | 9.92  | 26.66 | 14.50 | 9.04  | 20.11 |
| 2007-08 | 27.77 | 16.34 | 7.07  | 30.85 | 15.38 | 10.89 | 18.05 |
| 2008-09 | 32.25 | 10.80 | 7.00  | 24.06 | 14.29 | 8.93  | 16.22 |
| 2009-10 | 38.31 | 13.74 | 7.49  | 21.12 | 15.54 | 9.35  | 17.59 |
| 2010-11 | 37.28 | 21.14 | 7.90  | 15.43 | 15.93 | 8.32  | 17.67 |
| 2011-12 | 35.53 | 16.18 | 8.65  | 15.91 | 10.71 | 8.65  | 15.94 |
| 2012-13 | 39.53 | 10.92 | 8.87  | 12.66 | 11.07 | 8.94  | 15.33 |
| 2013-14 | 37.71 | 12.57 | 9.04  | 20.78 | 8.75  | 13.29 | 17.02 |
| 2014-15 | 37.71 | 10.23 | 10.80 | 22.01 | 5.59  | 15.34 | 16.95 |
| Avg.    | 36.04 | 16.79 | 9.61  | 17.02 | 13.34 | 10.54 | 17.22 |
| SD      | 9.13  | 5.85  | 2.00  | 7.09  | 3.83  | 2.05  | 2.10  |
| CV      | 0.25  | 0.35  | 0.21  | 0.42  | 0.29  | 0.19  | 0.12  |

Sources: Compiled from annual reports of pharmaceutical companies from 2000-01 to 2014-15

The above table shows percentage of receivables to total assets of the selected companies. The collective average of percentage of receivables to total assets was 17.22 for the study period. The average ratio of percentage of receivables to total assets were 36.04, 16.79, 9.61, 17.02, 13.34, 10.54 for Ambee, Square, Beximco, Glaxo, Ibn Sina, Renata respectively. The ratio was the highest for Ambee, and the lowest was for Beximco. As per norms or standard the overall and all the firms except Ambee, satisfy the condition. The relatively better in controlling receivables.

**4.3.2 Receivables as a percentages of current assets:** Receivables as a percentage of current assets would reveal the size of receivables in current assets and the opportunity

cost associated with it, higher the percentage and higher is the cost of carrying the receivables. It is therefore desired that a firm need to carry the least percentage of receivables as possible without affecting the sales volume (Garg, 2016).

Table: 5 Receivables as a percentage of current assets pharmaceutical companies in Bangladesh from 2000-01 to 2014-15.

| Year    | AMB   | SPL   | BPL   | GSK   | IBN   | RPL   | Avg.  |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 2000-01 | 36.16 | 51.40 | 33.45 | 18.22 | 37.81 | 16.79 | 32.30 |
| 2001-02 | 40.34 | 58.06 | 43.58 | 16.51 | 35.03 | 16.42 | 34.99 |
| 2002-03 | 38.76 | 45.18 | 44.58 | 20.82 | 34.15 | 22.99 | 34.41 |
| 2003-04 | 62.69 | 56.94 | 43.24 | 6.06  | 27.65 | 19.69 | 36.04 |
| 2004-05 | 76.39 | 52.28 | 39.58 | 14.35 | 36.08 | 24.13 | 40.47 |
| 2005-06 | 40.84 | 58.35 | 30.44 | 15.03 | 38.00 | 20.28 | 33.82 |
| 2006-07 | 53.67 | 51.10 | 40.55 | 38.94 | 38.29 | 19.71 | 40.38 |
| 2007-08 | 35.48 | 47.06 | 36.63 | 41.27 | 35.89 | 22.86 | 36.53 |
| 2008-09 | 40.12 | 37.23 | 20.14 | 30.69 | 38.36 | 20.93 | 31.25 |
| 2009-10 | 47.91 | 43.72 | 25.85 | 25.38 | 40.05 | 23.18 | 34.35 |
| 2010-11 | 46.18 | 58.53 | 25.44 | 17.37 | 37.49 | 25.98 | 35.16 |
| 2011-12 | 43.62 | 51.45 | 25.96 | 18.99 | 34.61 | 25.47 | 33.35 |
| 2012-13 | 46.16 | 42.70 | 27.36 | 14.84 | 32.14 | 27.15 | 31.72 |
| 2013-14 | 42.81 | 42.95 | 31.33 | 23.48 | 25.35 | 36.37 | 33.71 |
| 2014-15 | 42.81 | 32.92 | 39.69 | 24.75 | 20.77 | 38.18 | 33.19 |
| Avg.    | 46.26 | 48.66 | 33.85 | 21.78 | 34.11 | 24.01 | 34.78 |
| SD      | 10.83 | 7.87  | 7.85  | 9.42  | 5.47  | 6.23  | 2.72  |
| CV      | 0.23  | 0.16  | 0.23  | 0.43  | 0.16  | 0.26  | 0.08  |

Sources: Compiled from annual reports of pharmaceutical companies from 2000-01 to 2014-15

The above table shows the receivables as a percentages of current assets. From the table it is found that average of fifteen years and all firms' receivables as percentages of current asset are 34.78. The average percentage of receivables to current assets of six companies has shown no specific trend. For the firm Ambee, the maximum value was 76.39 and minimum value was 35.48 percent and the both were above to the industry average, this implies that the firm had larger investment in receivable. For the individual firm Square, the maximum value was 58.53 and minimum value was 32.92, and mean value 48.66 percent, which is above to the industry average, this imply that the firm had larger investment in receivable. The firm Beximco, Glaxo, Ibn Sina, Renata had the mean value below to industry average and reflects lesser investment in it.

**4.3.3 Receivables as percentage of sales:** The proportion of receivables to sales is another way to see the level of investment in receivables. The higher the ratio, the greater is the investment in receivables for the same size of sales. An effective control demands a lower percentage of receivables to sales. It shows the relationship between unpaid sales and the total sales revenue.

Table :6 Receivables as a percentage of Sales of selected pharmaceutical companies during 2000-01 to 2014-15.

| Year    | AMB   | SPL   | BPL   | GSK  | IBN   | RPL  | Avg.  |
|---------|-------|-------|-------|------|-------|------|-------|
| 2000-01 | 19.60 | 17.43 | 24.86 | 9.85 | 26.02 | 7.75 | 17.58 |

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|         |       |       |       |       |       |       |       |
|---------|-------|-------|-------|-------|-------|-------|-------|
| 2001-02 | 17.06 | 23.01 | 34.24 | 8.91  | 10.97 | 7.19  | 16.90 |
| 2002-03 | 27.54 | 16.02 | 42.32 | 13.62 | 8.61  | 9.43  | 19.59 |
| 2003-04 | 41.79 | 24.31 | 44.48 | 3.90  | 6.09  | 8.35  | 21.49 |
| 2004-05 | 70.34 | 31.79 | 41.59 | 8.36  | 7.59  | 10.09 | 28.29 |
| 2005-06 | 39.86 | 38.63 | 27.60 | 7.06  | 8.47  | 10.30 | 21.99 |
| 2006-07 | 35.26 | 25.09 | 32.96 | 17.92 | 7.25  | 7.68  | 21.03 |
| 2007-08 | 32.24 | 25.14 | 26.14 | 22.26 | 7.51  | 11.14 | 20.74 |
| 2008-09 | 36.72 | 14.57 | 28.62 | 13.54 | 6.76  | 8.82  | 18.17 |
| 2009-10 | 40.86 | 18.21 | 24.66 | 12.74 | 6.06  | 9.40  | 18.65 |
| 2010-11 | 38.79 | 30.51 | 23.05 | 8.47  | 6.30  | 9.82  | 19.49 |
| 2011-12 | 35.25 | 21.62 | 22.91 | 8.78  | 5.59  | 10.99 | 17.52 |
| 2012-13 | 39.19 | 14.26 | 23.22 | 7.47  | 5.51  | 13.05 | 17.11 |
| 2013-14 | 45.71 | 15.96 | 23.39 | 14.54 | 3.90  | 17.34 | 20.14 |
| 2014-15 | 45.71 | 12.23 | 25.69 | 18.28 | 2.85  | 19.22 | 20.66 |
| Avg.    | 37.73 | 21.92 | 29.71 | 11.71 | 7.97  | 10.70 | 19.96 |
| SD      | 12.33 | 7.51  | 7.59  | 5.01  | 5.36  | 3.45  | 2.83  |
| CV      | 0.33  | 0.34  | 0.26  | 0.43  | 0.67  | 0.32  | 0.14  |

Sources: Compiled from annual reports of pharmaceutical companies from 2000-01 to 2014-15

The investment in account receivables as percentage of sale (table-6), varies from 16.90 percent to 28.29 percent for selected companies during the period of 2000-01 to 2014-15. The mean value for the industry is 19.96 percent. Individually, the ratio of debtors to sales ratio remarkably declined to 2.85 percent from 26.02 percent for Ibn sina pharmaceuticals. But for Ambee it fluctuated from 17.06 to 70.34 percent. It also varied for Square from 12.23 to 38.63 percent. For Beximco, percentage of receivables to sales value fluctuated from 22.91 to 44.48 percent with a standard deviation of 7.59 percent. For Glaxo, percentage of receivables to sales value fluctuated from 3.90 to 22.26 percent with a standard deviation of 5.01 percent. But for Renata it fluctuated from 7.19 to 19.22 percent. Among the six companies three companies average value is below the industry average and other over the industry average. There is a norm that a manufacturing firm should maintain total receivables to sales not more than 15 percent (Khan & Ahmed, 1980 P.301). The average percentage of receivables to sales more than norms, it indicates ineffective control of receivables.

#### **4.4 Efficiency of Receivable Management**

**4.4.1 Receivable turnover ratio:** The receivable turnover ratio is an activity ratio. It measures the efficiency with which a firm manages the credit it issues to the customers and collects on credits. The receivables turnover ratio gives idea about the quality of the firm's receivables and how successful in collecting receivables. A high ratio can tell us a number of things Company is doing business on cash basis, efficient in collecting receivables or conservative credit policy.

Table:7 Receivable turnover ratio of selected pharmaceutical companies during 2000-01 to 2014-15.

| Year    | AMB  | SPL  | BPL  | GSK   | IBN   | RPL   | Avg. |
|---------|------|------|------|-------|-------|-------|------|
| 2000-01 | 6.61 | 7.52 | 3.91 | 14.38 | 4.60  | 15.29 | 8.72 |
| 2001-02 | 6.29 | 5.37 | 3.45 | 11.17 | 8.60  | 14.09 | 8.16 |
| 2002-03 | 4.21 | 5.44 | 2.44 | 9.13  | 10.64 | 13.04 | 7.48 |
| 2003-04 | 3.06 | 5.25 | 2.41 | 11.23 | 14.13 | 12.43 | 8.09 |
| 2004-05 | 1.69 | 3.75 | 2.71 | 16.58 | 15.76 | 11.69 | 8.70 |
| 2005-06 | 2.11 | 3.01 | 3.08 | 13.46 | 12.90 | 10.68 | 7.54 |
| 2006-07 | 3.29 | 3.54 | 3.26 | 8.23  | 14.89 | 12.88 | 7.68 |
| 2007-08 | 2.41 | 4.17 | 3.59 | 5.36  | 15.43 | 11.47 | 7.07 |
| 2008-09 | 2.97 | 5.60 | 3.99 | 7.29  | 15.46 | 11.34 | 7.77 |
| 2009-10 | 2.65 | 6.52 | 4.34 | 8.33  | 17.49 | 12.38 | 8.62 |
| 2010-11 | 2.53 | 4.35 | 4.62 | 10.96 | 16.90 | 11.66 | 8.50 |
| 2011-12 | 2.75 | 4.24 | 4.71 | 12.50 | 18.04 | 10.34 | 8.76 |
| 2012-13 | 2.94 | 5.96 | 4.60 | 13.64 | 18.87 | 8.82  | 9.14 |
| 2013-14 | 2.36 | 7.09 | 4.43 | 9.27  | 23.71 | 7.24  | 9.02 |
| 2014-15 | 2.19 | 8.01 | 4.36 | 5.90  | 32.46 | 5.85  | 9.80 |
| Avg.    | 3.20 | 5.32 | 3.73 | 10.49 | 15.99 | 11.28 | 8.34 |
| SD      | 1.44 | 1.50 | 0.80 | 3.24  | 6.40  | 2.47  | 0.74 |
| CV      | 0.45 | 0.28 | 0.22 | 0.31  | 0.40  | 0.22  | 0.09 |

Sources: Compiled from annual reports of pharmaceutical companies from 2000-01 to 2014-15

From the above table we can see that mean receivable turnover ratio of firms Ambee 3.20(times), Square 5.32(times), Beximco 3.73 (times), Glaxo 10.49(times), Ibn Sina15.99 times, Renata 11.28(times). The industry characteristics of the ratio is 8.34 time. The ratio for sample firms Ambee, Square and Beximco lowers than industry average. From the table and figure we see that Ibn Sina is doing business on cash basis or follows stringent credit policy. The ratio collective and firms were below to the norms (12 times) (Parasanna, 1983, p. 453). It indicates management of receivables not satisfactory.

*4.4.2 Average collections period:* The average collection period of account receivable is the average number of days it takes to convert receivables into cash. Average collection period tells liquidity of the firms account receivables. It provides insights of credit policies of the firm. A low figure translates efficiency in collection of receivables or stringent credit policy for sales. High figures tell us inefficiency in collection or relax credits policy.

Table: 8 Average collection period of pharmaceutical companies during 2000-01 to 2014-15.

| Year    | AMB   | SPL   | BPL    | GSK   | IBN   | RPL   | Avg.  |
|---------|-------|-------|--------|-------|-------|-------|-------|
| 2000-01 | 55.19 | 48.56 | 93.44  | 25.38 | 79.31 | 23.88 | 54.29 |
| 2001-02 | 58.01 | 67.99 | 105.65 | 32.69 | 42.44 | 25.90 | 55.45 |
| 2002-03 | 86.64 | 67.15 | 149.41 | 39.99 | 34.29 | 27.98 | 67.58 |

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|         |        |        |        |       |       |       |       |
|---------|--------|--------|--------|-------|-------|-------|-------|
| 2003-04 | 119.23 | 69.54  | 151.37 | 32.49 | 25.84 | 29.37 | 71.31 |
| 2004-05 | 215.51 | 97.31  | 134.52 | 22.01 | 23.16 | 31.21 | 87.29 |
| 2005-06 | 173.01 | 121.30 | 118.57 | 27.11 | 28.29 | 34.16 | 83.74 |
| 2006-07 | 110.93 | 103.02 | 112.00 | 44.38 | 24.51 | 28.33 | 70.53 |
| 2007-08 | 151.66 | 87.47  | 101.67 | 68.16 | 23.65 | 31.83 | 77.41 |
| 2008-09 | 122.83 | 65.17  | 91.54  | 50.08 | 23.61 | 32.19 | 64.24 |
| 2009-10 | 137.92 | 56.02  | 84.18  | 43.83 | 20.87 | 29.48 | 62.05 |
| 2010-11 | 144.53 | 83.96  | 79.08  | 33.31 | 21.60 | 31.31 | 65.63 |
| 2011-12 | 132.70 | 86.18  | 77.53  | 29.20 | 20.24 | 35.29 | 63.52 |
| 2012-13 | 124.23 | 61.29  | 79.39  | 26.76 | 19.35 | 54.74 | 60.96 |
| 2013-14 | 154.72 | 51.47  | 82.36  | 39.38 | 15.40 | 60.95 | 67.38 |
| 2014-15 | 166.85 | 45.55  | 83.78  | 61.82 | 11.25 | 62.37 | 71.94 |
| Avg.    | 130.26 | 74.13  | 102.97 | 38.44 | 27.59 | 35.93 | 68.22 |
| SD      | 42.35  | 21.85  | 25.31  | 13.41 | 16.09 | 12.56 | 9.30  |
| CV      | 0.33   | 0.29   | 0.25   | 0.35  | 0.58  | 0.35  | 0.14  |

Sources: Compiled from annual reports of pharmaceutical companies from 2000-01 to 2014-15

Table-8 it appears that the average collection for 15 years and pharmaceutical companies is 68.22 days. The receivable turnover (in days) for Ambee was 130.26 days, for Square 74.13 days, Beximco 102.97 days, Glaxo 38.44 days, Ibn Sina 27.59 days, Renata 35.93 days. The table also reveals that average collection period of Glaxo, Ibn Sina, Renata below to its industry average implies efficiency in receivables management. On the other hand, the Ambee, Square and Beximco had collection period greater than the industry average, reflects inefficiency. It also reflects relax credit policy and inefficiency in collection of receivables. The ACPs of the rest of the firm are below to the industry average and it reflects the efficiency in the collection and stringent credit policy. The standard norms for ACP is 30 days (Parasanna, 1983). The above table indicates inefficiency of receivables management.

## 5. Conclusions and Recommendations

Receivables occupy the second place, in order of investment, among the various components of working capital in manufacturing concerns. The manipulation of receivables is to push up sales and ultimately profits by allowing certain credit to the potential customers who otherwise may find it difficult to make cash purchases. Moreover, receivables are being near cash item improved the liquidity position of an enterprise and it affects profitability. From the above analysis we have seen the variations in size of receivables. There was more than 50 percent of other than trade receivables to the total receivables. The percentage of receivables to total assets of the firms and total average 17.22 were within the range of standard norms except Ambee. The percentage of receivables to current assets is 34.78 and which are varied among the companies from

6.06 to 76.39 percent. Receivables as percentage of current assets of Ambee & Square higher than industry average. Receivables as a percentage of sales is 19.96, ACP of Ambee were higher than total average. So it can be concluded that the management of receivables of pharmaceutical industry in Bangladesh was far satisfactory. Pharmaceutical industry should formulate standard norms for minimum, maximum and optimal receivables to boost sales. The firms should employ good governance on credit management and shortening receivable collection period. The industry was following rigid credit policy; the industry should relax credit policy to increase sales.

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**Appendix :1**

| Sl. No. | Company Name                             | Acronym Used |
|---------|--|--------------|
| 1.      | Ambee pharmaceutical ltd                 | AMB          |
| 2.      | Beximco Pharmaceuticals ltd              | BPL          |
| 3.      | Glaxo Smitkline Bangladesh ltd           | GSK          |
| 4.      | The IBN SINA Pharmaceutical Industry Ltd | IBN          |
| 5.      | Square Pharmaceuticals ltd               | SPL          |
| 6.      | Reneta ltd                               | RPL          |

## MANAGEMENT PRACTICE: A COMPARATIVE STUDY ON PUBLIC AND PRIVATE COMMERCIAL BANKS IN BANGLADESH

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**Abstract.** The purpose of the study is to find out how efficiently and effectively the managers of commercial banks are performing their managerial activities. A sample of one hundred and fifty (150) managers of which seventy five (75) managers from public commercial banks and seventy five (75) managers from private commercial banks were drawn randomly from different management levels of fourteen (14) commercial banks of Bangladesh. The study investigated to find out whether there are any significant differences between the variables or significant association among the variables of managerial practices of public and private commercial banks in terms of planning and decision making, organizing, leading, motivating, human resource management, controlling, managerial roles and managerial skills. The summary of the findings suggests that most of the factors of management practices for both public and private commercial banks have no significance differences. But the application of managerial roles and sound human resource policy with different motivational tools have a strong impact over the management practice. The correlation among the variables focused that most of the factors are positively correlated to each other. The Regression model applied here is significant at  $\alpha = .000$  and there is a statistically significant association between managerial practices and organizational effectiveness. Finally the study summarizes the major findings and addresses some policies for further implications.

**Keywords:** Planning and Decision Making, Organizing, Leading, Controlling, Human Resource Management, Motivation, Managerial Roles, Managerial Skills, Organizational Effectiveness, Management Practices, Commercial Banks of Bangladesh.

## **1. Introduction**

There are vast differences between the old-style of administrating and directing and the new idea of guiding and inspiring employees. Today's managers and leaders are faced with a whole new set of expectations in the way they motivate the people who work with or follow them. People today simply do not want to be managed, they want to be guided. They want to participate and engage in every aspect of their job. Another significant shift for managers and leaders today is the necessity of thinking globally, the impact of globalization has affected all aspects of business. Kahan (2009) mentioned in his writings that leaders and managers today must be more innovative and more proactive, anticipating problems and opportunities as well as entirely new markets and products. Banking business, as any other business, is facing tremendous challenges, due to the growth in technology and information. Continuous information technology development has changed the traditional ways of management and business operations. Nowadays there is a high demand for new innovative business solutions and the ways of managing people that enable to extract their potential. Banking in Bangladesh is facing severe competition against local and foreign banks; therefore in order to achieve continuous progression managers must possess high managerial potential and skills. This thesis is going to assess the managerial practices in the national commercial banks of Bangladesh and also assess the level of proficiency in their work and the necessary effect on the organizational performance.

**1.1 Statement of the Problem:** Due to the growth in technology and information, banking business as any other business is facing tremendous challenges. Continuous development and competition have changed traditional ways of management and business operations. Nowadays there is a high demand for new innovative business solutions and the ways of managing activities that enables to extract the manager's potential.

Most of the research conducted to find out management practices in terms of financial measurements, but this study on "Management Practice: A Comparative Study on Public and Private Commercial Banks in Bangladesh" will find out how the managers actively participate in planning and decision making, organize, manage human resources, how they lead their subordinates, what motivates them and how they motivate others by applying their designated roles and skills. This research will also establish a link between managerial practices with organizational effectiveness to judge the managerial performances in branch level and corporate levels for both public and private commercial banks of Bangladesh.

**1.2 Research Objectives:** All the above-mentioned aspects impressed the researcher to study on the managerial practices in the commercial banks of Bangladesh in serving the following objectives-

- A. To investigate the managerial practices of public and private commercial banks in Bangladesh.

- B. To determine the relationship between managerial practices and organizational effectiveness.
- C. To determine the relationship between managerial roles and organizational effectiveness.
- D. To determine the relationship between managerial skills and organizational effectiveness.
- E. To provide policy implication on the basis of the findings of the study.

## **2. Literature Review**

**2.1 Management:** Managing is one of the most important human activities. From the time human beings began forming social organizations to accomplish the aims and objectives they could not accomplish as individuals, managing has been essential to ensure the coordination of individual efforts. Koontz and Weihrich (1990) defined management as the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims. Olum (2004) in his study on "Modern management theories and practices" summarized the essentiality of management in any organization. Managers are charged with the responsibility of taking actions that will make it possible for individuals to make their best contributions to group objectives. Yun Zhang (2013) in his article mentioned that, "traditional management scholars thought that all managers in all departments and all classes in the enterprise would carry out the four functions, and effective management meant to complete these functions successfully." The four functions of management include planning and decision making, organizing, leading and controlling (McDonald, 2010). Leung and Kleiner (2004) suggest that these four functions are necessary, but not sufficient in promulgating successful management, with strong emphasis placed on adopting practices that include a focus on employees within organizations.

**2.1.1 Planning and Decision Making:** Planning is a process that includes defining goals, establishing strategy and developing plans to coordinate activities. Robbins (2007) defined that planning is the process of bridging the gap between where we are and where we want to be in the future. As such, the planning function of management embodies various levels of decision making. Allowing employees to participate in making these decisions may generate additional ideas that offer valuable insights (Leung and Kleiner, 2004).

**2.1.2 Organizing:** According to Armstrong (2014) "Organizing is the function of management that involves developing an organizational structure and allocating human resources to ensure the accomplishment of objectives." Organizing, therefore, involves identifying the activities which need to be done to achieve these objectives; grouping these activities together into departments; assigning such groups of activities to managers; delegating to the managers the authority to carry the tasks out; and setting up a structure for coordinating all these activities, both horizontally and vertically within the

organization. For carrying out effectively and efficiently every organizations need to coordinate and arrange their work.

**2.1.3 Human Resource Management:** In the context of a developing economy like Bangladesh, where developments in the field of bank management are dynamic, the challenges posed by HRM are greatly important. As a consequence the possibilities of the application of HRM becomes a very relevant field of inquiry and research (Majumder, 2012). Most of the employees of both public and private commercial banks are not satisfied with their existing HRM practices such as the management style, job design and responsibilities, career growth, training and development, and compensation package followed by reward and motivation (Huselid, 1995).

**2.1.4 Leadership:** The success or failure of managers depends on their leadership qualities. They can be successful leaders by helping subordinates to find solutions to their problems. Managers are involved with bringing together resources, developing strategies, organizing and controlling activities in order to achieve objectives (Algahtani, 2014). At the same time managers, as leaders, have to select the goals and objectives of an organization, decide what is to be done and motivate people to do it (Hite et al., 2014). Thus, leadership is that function of management which is largely involved with establishing goals and motivating people to help achieve them. Leaders set goals and help subordinates find the right path to achieve these goals (Rana, 2015).

**2.1.5 Motivation:** Bartol & Martin (1998) defined motivation as a force which gives the path to behavior, energizes behavior and triggers the tendency to stick with. Pinder (1998) whereas discussed about work motivation which is a set of external and internal forces that commence the behavior related to work and establish its direction, form, duration and intensity. According to Moorhead and Griffin (1998) employee motivation and ability jointly contribute towards employee performance and the most challenging task of the managers is to motivate employee to execute the utmost of their ability.

**2.1.6 Controlling:** After goals and plans are set (planning), tasks and structural arrangements are put in place (organizing), and people are hired, trained and motivated (leading), there has to be some evaluation of whether things are going as planned (Tariq, Anwar & Aslam, 2011). Ensure that goals are being met and that work is being done as it should be, managers must monitor and evaluate performance. Robbins (2009) focused that actual performance must be compared with the set goals. If those goals are not being achieved, it's management's job to get work back on track. Zeman et al. (2013) conducted a research on "Management control system in banks" where they focused on bank controlling which means there is good harmony among profitability, growth and risk taking factors.

**2.2 Managerial Roles:** Managers around the world are struggling to redefine their roles and responsibilities against the ten roles of managers promoted by Mintzberg in the 1970s, which were based on research in the US context (Pearson & Chatterjee, 2003). Yet these traditional roles are still widely taught in universities and training programs

and widely practicing in different types of organizations without any prior modification. Mintzberg's model consists of 10 roles classified into three groups: (a) interpersonal roles including the figurehead, leader and liaison roles; (b) informational roles including the monitor, disseminator and spokesperson roles and (c) decisional roles including the entrepreneur, disturbance handler, resource allocator and negotiator roles.

**2.3 Managerial Skills:** A manager has the responsibility of working with and through diverse groups of people efficiently and ethically to achieve organizational goals and objectives. Effective management utilizes a multitude of skills to accomplish the objectives. During the early 1970s, Katz (2009) identified three kinds of skills for administrators. These are technical, human and conceptual skills. The purpose of this research is to lament the poor quality of the managers and highlight the three key skills that can help to improve their performance.

**2.4 Organizational Effectiveness:** Georgopoulos & Tannenbaum (1957) talked about the concept of organizational effectiveness, which is ordinarily used for goal-attainment, sometimes called organizational 'success' or organizational 'worth'. To them it is a functional rather than a structural concept. Traditionally, effectiveness has been viewed and operationalized mainly in terms of productivity. Now the concept of effectiveness is widely used in all types of enterprises ranging from transportation, manufacturing and production, electrical and electronics, banking, communication, hotel and tourism, wholesale distribution and others. However, Quang (1997) proposes seven measurement criteria of organizational effectiveness. These measurement criteria are employee's satisfaction, profitability, growth rate of sales or revenue, financial growth, competitiveness of the company's products and services, public image and goodwill and leader in technology.

**2.5 Theoretical Framework:** Thadani (2010) focuses in his tasks on "Basic Management Principle" that being an effective manager is no easy task by any means, and no matter what field you are operating in, basic management principles remain the same for business administration and management. Managers of public and private commercial banks must consider the four major functions of planning and decision making, organizing, leading, and controlling along with motivation, human resource management, managerial roles and managerial skills.



*Figure-1: Theoretical Framework*

**2.6 Conceptualization of Hypotheses:** Based the research objectives, literature review and theoretical framework, the following twelve hypotheses have been formulated:

H<sub>1</sub>: There is a significant difference between managers of public and private commercial banks in their perceptions regarding planning and decision making.

H<sub>2</sub>: There is a significant difference between managers of public and private commercial banks in their perceptions regarding organizing.

H<sub>3</sub>: There is a significant difference between managers of public and private commercial banks in their perceptions regarding human resource management.

H<sub>4</sub>: There is a significant difference between managers of public and private commercial banks in their perceptions regarding leadership.

H<sub>5</sub>: There is a significant difference between managers of public and private commercial banks in their perceptions regarding motivation.

H<sub>6</sub>: There is a significant difference between managers of public and private commercial banks in their perceptions regarding controlling.

H<sub>7</sub>: There is a significant difference between managers of public and private commercial banks in their perceptions regarding managerial roles.

H<sub>8</sub>: There is a significant difference between managers of public and private commercial banks in their perceptions regarding managerial skills.

H<sub>9</sub>: There is a significant difference between managers of public and private commercial banks in their perceptions regarding organizational effectiveness.

H<sub>10</sub>: There is a significant association between managerial practices and organizational effectiveness in public and private commercial banks of Bangladesh.

H<sub>11</sub>: There is a significant association between managerial roles and organizational effectiveness in public and private commercial banks of Bangladesh.

H<sub>12</sub>: There is a significant association between managerial skills and organizational effectiveness in public and private commercial banks of Bangladesh.

### **3. Methodology of the Study**

**3.1 Determination of Sample Size:** Present study covers a total population (N) of 7679 branches of public and private commercial banks in Bangladesh. For a better representation of population of the study, 4 public commercial banks and 10 private commercial banks have been identified. Kothari (2004) in his book Research Methodology: Methods and techniques proposed a formula for finite population which is as follows:

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N - 1) + z^2 \cdot p \cdot q} \text{ where}$$

$N$  = the size of the population.

$p = 0.5$

$q = 1 - p = 1 - 0.5 = 0.5$

$e = .01$  (the estimate within 1 % of the true value)

$z = 1.96$  (as per table of area under normal curve for 5% level of significance)

Using the formula, at the 5% level of significance the expected sample size determined that a survey of 95 branches ( $n$ ) will be the best prediction about the nature of the entire population to conduct the study. For better comparison between public and private commercial banks, the researcher decides to collect respondents from 150 branches, including 75 respondents from 4 leading Public Commercial Banks and 75 respondents from 10 leading Private Commercial Banks as mentioned in the following table:

| Nature of Bank | Name of Bank                   | Number of Samples |
|----------------|--------------------------------|-------------------|
| Public         | Sonali Bank Limited            | 25                |
|                | Agrani Bank Limited            | 19                |
|                | Rupali Bank Limited            | 12                |
|                | Janata Bank Limited            | 19                |
|                | Total                          | 75                |
| Private        | Pubali Bank Limited            | 16                |
|                | Uttara Bank Limited            | 9                 |
|                | Prime Bank Limited             | 4                 |
|                | National Bank Limited          | 7                 |
|                | Jamuna Bank Limited            | 4                 |
|                | United Commercial Bank Limited | 6                 |
|                | Dutch-Banala Bank Limited      | 6                 |
|                | Southeast Bank Limited         | 8                 |
|                | Islami Bank Bangladesh Limited | 11                |
|                | EXIM Bank Limited              | 4                 |
|                | Total                          | 75                |

Table-1: Determination of Sample Size

**3.2 Procedure of Data Collection:** The data collection, analysis manners and programs used in the current study are based on two sources:

**3.2.1 Primary Data:** The primary data of the study collected through the questionnaire by survey method. The survey of the study conducted during 1 June to 30 November 2016. In this study, the researcher used structured questionnaire to assess perception of managers relating to their performance. 5 point Likert type scale was used to serve the perception of managers relating to their job description.

**3.2.2 Secondary Data:** The review of relevant literature is the main source of secondary data of the study. Different published books on management, organizational behavior, human resource management, and bank management have been reviewed for developing conceptual framework of the study. Published scientific articles, disserta-

tions on national and international levels, newspapers, annual report of sample commercial banks, annual report of Bangladesh Bank, authentic website, relevant reports published by government and non-governmental agencies, and related periodicals of the commercial banks have been reviewed to know the current status of the management practice of the banking industry in Bangladesh.

The collected data were then recorded for statistical calculation with the help of MS Excel and SPSS 17.00 Version. Mean, Standard Deviation, One-way ANOVA Correlation and Regression Analysis were formulated to get a better picture of the managerial practices of the commercial banks of Bangladesh.

#### 4. Results and Discussions

**4.1 Scale Reliability Statistics:** In statistics, Cronbach's Alpha (Cronbach, 1951) is used as an estimate of the reliability of a psychometric test. The theoretical value of alpha varies from zero to I, since it is the ratio of two variances. Nunnally (1978) is often associated with the assertion that instruments used in basic research should have reliability of .70 or better. The reliability statistics measured for the managerial practices of commercial banks of Bangladesh through 70 statement based questions applied to 150 respondents on which the result is acquired as under:

| Reliability Statistics |            |
|------------------------|------------|
| Cronbach's Alpha       | N of Items |
| .955                   | 70         |

Table-2: Scale Reliability Statistics

Here Cronbach Alpha is .955 which is higher than that is suggested by Nunnally and therefore the data collected for this research can be considered as highly reliable.

| Demographic Variables: |                    | Public    |         | Private   |         |
|------------------------|--------------------|-----------|---------|-----------|---------|
|                        |                    | Frequency | Percent | Frequency | Percent |
| Types of Manager       | Manager            | 57        | 76.0    | 49        | 65.3    |
|                        | Manager Operations | 16        | 21.3    | 24        | 32.0    |
|                        | Acting Manager     | 2         | 2.7     | 2         | 2.7     |
|                        | Total              | 75        | 100.0   | 75        | 100.0   |
| Gender                 | Male               | 69        | 92.0    | 72        | 96.0    |
|                        | Female             | 6         | 8.0     | 3         | 4.0     |
|                        | Total              | 75        | 100.0   | 75        | 100.0   |
| Age                    | Below 30           | 5         | 6.7     |           |         |
|                        | 30 to 45           | 20        | 26.7    | 48        | 64.0    |
|                        | Above 45           | 50        | 66.7    | 27        | 36.0    |
|                        | Total              | 75        | 100.0   | 75        | 100.0   |
| Managerial Level       | Non-managerial     | 11        | 14.7    | 5         | 6.7     |
|                        | Lower Level        | 20        | 26.7    | 16        | 21.3    |
|                        | Mid-Level          | 23        | 30.7    | 46        | 61.3    |
|                        | Top Level          | 21        | 28.0    | 8         | 10.7    |
|                        | Total              | 75        | 100.0   | 75        | 100.0   |

Table-3: Frequency of Demographic Variables

**4.2.1 Types of Manager:** The questionnaires were administered among the 75 respondents of Public Commercial Banks comprise of 57 Managers (76% of 75 samples), 16 Manager Operations (21.3% of samples) and 2 Acting Manager (2.7% of samples). In case of Private Commercial Banks among the 75 respondents, the number of respondents comprises of 49 Managers (65.3%)

**4.2.3 Age:** The age differences among the respondents of the Public Commercial Banks shows that 5 (6.7% of 75 samples) respondents are in the age of below 30 years, 20 (26.7% of 75 samples) respondents are in the age of 30 to 45 years and 50 (66.7% of 75 samples) respondents are in the age of above 45 years. Whereas the age differences among the respondents of the Private Commercial Banks shows that there is none in the age of below 30 years, 48 (64% of 75 samples) respondents are in the age of 30 to 45 years and 27 (36% of 75 samples) respondents are in the age of above 45 years.

**4.2.4 Managerial Level:** The information regarding managerial level shows that among the respondents, 11 (14.7% of samples) are of non-managerial level, 20 (26.7% of samples) are of lower level, 23 (30.7% of samples) are of mid-level, 21 (28% of samples) are of top-level managers from Public Commercial Banks. Whereas 5 (6.7% of samples) are of non-managerial level, 16 (21.3% of samples) are of lower level, 46 (61.3% of samples) are of mid-level, 8 (10.7% of samples) are of top-level managers from Private Commercial Banks.

### 4.3 Managerial Practices of Public and Private Commercial Banks

Oneway ANOVA \* Managerial Practice

|                              |         | N   | Mean   | SD     |                | Sum of  | df  | Mean   | F     | Sig. |
|------------------------------|---------|-----|--------|--------|----------------|---------|-----|--------|-------|------|
|                              |         |     |        |        |                | Sauares |     | Sauare |       |      |
| Planning and Decision Making | Public  | 75  | 4.0178 | .46626 | Between Groups | .007    | 1   | .007   | .037  | .849 |
|                              | Private | 75  | 4.0044 | .38455 | Within Groups  | 27030   | 148 | .183   |       |      |
|                              | Total   | 150 | 4.0111 | .42598 | Total          | 27037   | 149 |        |       |      |
| Organizing                   | Public  | 75  | 4.0963 | .40159 | Between Groups | .145    | 1   | .145   | .947  | .332 |
|                              | Private | 75  | 4.1585 | .38106 | Within Groups  | 22.679  | 148 | .153   |       |      |
|                              | Total   | 150 | 4.1274 | .39139 | Total          | 22.824  | 149 |        |       |      |
| HRM                          | Public  | 75  | 3.8133 | .57829 | Between Groups | 1.837   | 1   | 1.837  | 5.052 | .026 |
|                              | Private | 75  | 4.0347 | .62677 | Within Groups  | 53.817  | 148 | .364   |       |      |
|                              | Total   | 150 | 3.9240 | .61116 | Total          | 55.654  | 149 |        |       |      |
| Leadership                   | Public  | 75  | 4.2571 | .41083 | Between Groups | .027    | 1   | .027   | .153  | .696 |
|                              | Private | 75  | 4.2305 | .42462 | Within Groups  | 25.832  | 148 | .175   |       |      |
|                              | Total   | 150 | 4.2438 | .41659 | Total          | 25.859  | 149 |        |       |      |
| Motivation                   | Public  | 75  | 4.0705 | .46934 | Between Groups | .114    | 1   | .114   | .483  | .488 |
|                              | Private | 75  | 4.1257 | .50314 | Within Groups  | 35.034  | 148 | .237   |       |      |
|                              | Total   | 150 | 4.0981 | .48569 | Total          | 35.148  | 149 |        |       |      |
| Controlling                  | Public  | 75  | 4.1689 | .44813 | Between Groups | .000    | 1   | .000   | .001  | .977 |
|                              | Private | 75  | 4.1711 | .48628 | Within Groups  | 32.359  | 148 | .219   |       |      |
|                              | Total   | 150 | 4.1700 | .46602 | Total          | 32.359  | 149 |        |       |      |
| Managerial Roles             | Public  | 75  | 4.1733 | .39054 | Between Groups | .000    | 1   | .000   | .000  | .984 |
|                              | Private | 75  | 4.1720 | .40120 | Within Groups  | 23.198  | 148 | .157   |       |      |
|                              | Total   | 150 | 4.1727 | .39458 | Total          | 23.198  | 149 |        |       |      |

|                              |         |     |        |        |                |        |     |      |       |      |
|------------------------------|---------|-----|--------|--------|----------------|--------|-----|------|-------|------|
| Managerial Skills            | Public  | 75  | 4.0867 | .44465 | Between Groups | .007   | 1   | .007 | .030  | .863 |
|                              | Private | 75  | 4.0733 | .49943 | Within Groups  | 33.089 | 148 | .224 |       |      |
|                              | Total   | 150 | 4.0800 | .47129 | Total          | 33.096 | 149 |      |       |      |
| Organizational Effectiveness | Public  | 75  | 3.8790 | .55266 | Between Groups | .926   | 1   | .926 | 3.288 | .072 |
|                              | Private | 75  | 4.0362 | .50785 | Within Groups  | 41.687 | 148 | .282 |       |      |
|                              | Total   | 150 | 3.9576 | .53478 | Total          | 42.613 | 149 |      |       |      |

Table-4: One-Way ANOVA \*Managerial Practices

**4.3.1 Planning and Decision Making:** Table-4 shows that, the perceived mean value of "Planning and Decision Making" taken by managers of Public (N=75), Private (N=75) and Commercial Banks (both Public and Private, N=150) in Bangladesh are  $\bar{x} = 4.0178$ ,  $\bar{x} = 4.0044$ , and  $\bar{x} = 4.0111$ . All the cases the lowest variability appraised ( $\sigma = .46626$ ,  $\sigma = .38455$ , and  $\sigma = .42598$ ) and is statistically insignificant at 5 percent level of significance ( $F = .037$ ,  $p = .849$ ).

**4.3.2 Organizing:** The perceived mean value of "Organizing" taken by managers of Public (N=75), Private (N=75) and Commercial Banks (both Public and Private, N=150) in Bangladesh are  $\bar{x} = 4.0963$ ,  $\bar{x} = 4.1585$ , and  $\bar{x} = 4.1274$ . All the cases the lowest variability appraised ( $\sigma = .40159$ ,  $\sigma = .38106$ , and  $\sigma = .39139$ ) and is statistically insignificant at 5 percent level of significance ( $F = .947$ ,  $p = .332$ ).

**4.3.3 Human Resource Management:** The perceived mean value of "Human Resource Management" taken by managers of Public (N=75), Private (N=75) and Commercial Banks (both Public and Private, N=150) in Bangladesh are  $\bar{x} = 3.8133$ ,  $\bar{x} = 4.0347$ , and  $\bar{x} = 3.9240$ . All the cases the lowest variability appraised ( $\sigma = .57829$ ,  $\sigma = .62677$ , and  $\sigma = .61116$ ) and is statistically insignificant at 5 percent level of significance ( $F = 5.052$ ,  $p = .026$ ).

**4.3.4 Leadership:** The perceived mean value of "Leadership" taken by managers of Public (N=75), Private (N=75) and Commercial Banks (both Public and Private, N=150) in Bangladesh are  $\bar{x} = 4.2571$ ,  $\bar{x} = 4.2305$ , and  $\bar{x} = 4.2438$ . All the cases the lowest variability appraised ( $\sigma = .41038$ ,  $\sigma = .42462$ , and  $\sigma = .41659$ ) and is statistically insignificant at 5 percent level of significance ( $F = .153$ ,  $p = .696$ ).

**4.3.5 Motivation:** The perceived mean value of "Motivation" taken by managers of Public (N=75), Private (N=75) and Commercial Banks (both Public and Private, N=150) in Bangladesh are  $\bar{x} = 4.0705$ ,  $\bar{x} = 4.1257$ , and  $\bar{x} = 4.0981$ . All the cases the lowest variability appraised ( $\sigma = .46934$ ,  $\sigma = .50314$ , and  $\sigma = .48569$ ) and is statistically insignificant at 5 percent level of significance ( $F = .483$ ,  $p = .488$ ).

**4.3.6 Controlling:** The perceived mean value of "Controlling" taken by managers of Public (N=75), Private (N=75) and Commercial Banks (both Public and Private, N=150) in Bangladesh are  $\bar{x} = 4.1689$ ,  $\bar{x} = 4.1711$ , and  $\bar{x} = 4.1700$ . All the cases the lowest variability appraised ( $\sigma = .44813$ ,  $\sigma = .48628$ , and  $\sigma = .46602$ ) and is statistically insignificant at 5 percent level of significance ( $F = .001$ ,  $p = .977$ ).

**4.3.7 Managerial Roles:** The perceived mean value of "Managerial Roles" taken by managers of Public (N=75), Private (N=75) and Commercial Banks (both Public and

Private, N= 150) in Bangladesh are  $\bar{x}$  =4.1733,  $\bar{x}$  =4.1720, and  $\bar{x}$  =4.1727. All the cases the lowest variability appraised ( $\sigma$  =.39054,  $\sigma$  =.40120, and  $\sigma$  =.39458) and is statistically insignificant at 5 percent level of significance ( $F$ =.000,  $P$ =.984).

**4.3.8 Managerial Skills:** The perceived mean value of "Managerial Skills" taken by managers of Public (N=75), Private (N=75) and Commercial Banks (both Public and Private, N=150) in Bangladesh are  $\bar{x}$  =4.0867,  $\bar{x}$  =4.0733, and  $\bar{x}$  =4.0800. All the cases the lowest variability appraised ( $\sigma$  =.44465,  $\sigma$  =.49943, and  $\sigma$  =.47129) and is statistically insignificant at 5 percent level of significance ( $F$ =.030,  $p$ =.863).

**4.3.9 Organizational Effectiveness:** The perceived mean value of "Organizational Effectiveness" taken by managers of Public (N=75), Private (N=75) and Commercial Banks (both Public and Private, N=150) in Bangladesh are  $\bar{x}$  =3.8790,  $\bar{x}$  =4.0362, and  $\bar{x}$  =3.9576. All the cases the lowest variability appraised ( $\sigma$  =.55266,  $\sigma$  =.50785, and  $\sigma$  =.53478) and is statistically insignificant at 5 percent level of significance ( $F$ =3.288,  $p$ =.072).

#### 4.4 Correlation Analysis

The following table shows the Pearson's correlation coefficient of the variables of the study:

| Correlations               |                  | Planning & Decision Making | Organizing | HRM     | Leadership | Motivation | Controlling | Managerial Roles | Managerial Skills | Organizational Effectiveness |
|----------------------------|------------------|----------------------------|------------|---------|------------|------------|-------------|------------------|-------------------|------------------------------|
| Planning & Decision Making | Pearson Correla- | 1                          |            |         |            |            |             |                  |                   |                              |
|                            | Sig (2-tailed)   |                            |            |         |            |            |             |                  |                   |                              |
|                            | N                | 150                        |            |         |            |            |             |                  |                   |                              |
| Organizing                 | Pearson Correla- | .511**                     | 1          |         |            |            |             |                  |                   |                              |
|                            | Sig. (2-tailed)  | .000                       |            |         |            |            |             |                  |                   |                              |
|                            | N                | 150                        | 150        |         |            |            |             |                  |                   |                              |
| HRM                        | Pearson Correla- | .372**                     | .578**     | 1       |            |            |             |                  |                   |                              |
|                            | Sig (2-tailed)   | .000                       | .000       |         |            |            |             |                  |                   |                              |
|                            | N                | 150                        | 150        | 150     |            |            |             |                  |                   |                              |
| Leadership                 | Pearson Correla- | .441**                     | .684**     | .531*** | 1          |            |             |                  |                   |                              |
|                            | Sig. (2-tailed)  | .000                       | .000       | .000    |            |            |             |                  |                   |                              |
|                            | N                | 150                        | 150        | 150     | 150        |            |             |                  |                   |                              |
| Motivation                 | Pearson Correla- | .397**                     | .545**     | .639**  | .629**     | 1          |             |                  |                   |                              |
|                            | Sig (2-tailed)   | .000                       | .000       | .000    | .000       |            |             |                  |                   |                              |
|                            | N                | 150                        | 150        | 150     | 150        | 150        |             |                  |                   |                              |
| Controlling                | Pearson Correla- | .428**                     | .673**     | .588**  | .694**     | .651**     | 1           |                  |                   |                              |
|                            | Sig (2-tailed)   | .000                       | .000       | .000    | .000       | .000       |             |                  |                   |                              |
|                            | N                | 150                        | 150        | 150     | 150        | 150        | 150         |                  |                   |                              |
| Managerial Roles           | Pearson Correla- | .383**                     | .611**     | .398**  | .695**     | .541**     | .703**      | 1                |                   |                              |
|                            | Sig. (2-tailed)  | .000                       | .000       | .000    | .000       | .000       | .000        |                  |                   |                              |
|                            | N                | 150                        | 150        | 150     | 150        | 150        | 150         | 150              |                   |                              |
| Managerial Skills          | Pearson Correla- | .416**                     | .578**     | .475**  | .637**     | .541**     | .621**      | .658**           | 1                 |                              |
|                            | Sig (2-tailed)   | .000                       | .000       | .000    | .000       | .000       | .000        | .000             |                   |                              |
|                            | N                | 150                        | 150        | 150     | 150        | 150        | 150         | 150              | 150               |                              |

|                              |                  |        |        |        |        |        |        |        |        |     |
|------------------------------|------------------|--------|--------|--------|--------|--------|--------|--------|--------|-----|
| Organizational Effectiveness | Pearson Correla- | .365** | .603** | .615** | .547** | .577** | .629** | .563** | .476** | 1   |
|                              | Sig. (2-tailed)  | .000   | .000   | .000   | .000   | .000   | .000   | .000   | .000   |     |
|                              | N                | 150    | 150    | 150    | 150    | 150    | 150    | 150    | 150    | 150 |

Table-5: Correlation Analysis

The result show that for Commercial Banks, N=150 at 0.01 level of significance, the relationship between Planning & Decision Making and Organizing is moderately positive significant ( $r = .511$ ,  $p = .000$ ); the relationship between Planning & Decision Making and HRM is low positive significant ( $r = .372$ ,  $p = .000$ ); the relationship between Planning & Decision Making and Leadership is moderate positive significant ( $r = .441$ ,  $p = .000$ ); the relationship between Planning & Decision Making and Motivation is low positive significant ( $r = .397$ ,  $p = .000$ ); the relationship between Planning & Decision Making and Controlling is moderate positive significant ( $r = .428$ ,  $p = .000$ ); the relationship between Planning & Decision Making and Managerial Roles is low positive significant ( $r = .383$ ,  $p = .000$ ); the relationship between Planning & Decision Making and Managerial Skills is moderate positive significant ( $r = .416$ ,  $p = .000$ ); the relationship between the Planning & Decision Making and Organizational Effectiveness is low positive significant ( $r = .365$ ,  $p = .000$ ).

The relationship between the Organizing and HRM is a moderate positive significant relationship ( $r = .578$ ,  $p = .000$ ); the relationship between the Organizing and Leadership is a moderate positive significant ( $r = .684$ ,  $p = .000$ ); the relationship between Organizing and Motivation is moderate positive significant ( $r = .545$ ,  $p = .000$ ); the relationship between Organizing and Controlling is moderate positive significant ( $r = .673$ ,  $p = .000$ ); the relationship between Organizing and Managerial Roles is moderate positive significant ( $r = .611$ ,  $p = .000$ ); the relationship between Organizing and Managerial Skills is moderate positive significant ( $r = .578$ ,  $p = .000$ ); the relationship between the Organizing and Organizational Effectiveness is moderate positive significant ( $r = .603$ ,  $p = .000$ ).

The relationship between HRM and Leadership is moderate positive significant relationship ( $r = .531$ ,  $p = .000$ ); the relationship between HRM and Motivation is moderate positive significant ( $r = .639$ ,  $p = .000$ ); the relationship between HRM and Controlling is moderate positive significant ( $r = .588$ ,  $p = .000$ ); the relationship between HRM and Managerial Roles is low positive significant ( $r = .398$ ,  $p = .000$ ); the relationship between HRM and Managerial Skills is moderate positive significant ( $r = .475$ ,  $p = .000$ ); the relationship between HRM and Organizational Effectiveness is moderate positive significant ( $r = .615$ ,  $p = .000$ ).

The relationship between Leadership and Motivation is moderate positive significant ( $r = .629$ ,  $p = .000$ ); the relationship between Leadership and Controlling is moderate positive significant ( $r = .694$ ,  $p = .000$ ); the relationship between Leadership and Managerial Roles, is moderate positive significant ( $r = .695$ ,  $p = .000$ ); the relationship between Leadership and Managerial Skills is moderate positive significant ( $r = .637$ ,  $p = .000$ ); the relationship between Leadership and Organizational Effectiveness is moderate positive significant ( $r = .547$ ,  $p = .000$ ).

The relationship between Motivation and Controlling is moderate positive significant ( $r = .651$ ,  $p = .000$ ); the relationship between Motivation and Managerial Roles is moderate positive significant ( $r = .541$ ,  $p = .000$ ); the relationship between Motivation and Managerial Skills is moderate positive significant ( $r = .541$ ,  $p = .000$ ); the relationship between Motivation and Organizational Effectiveness is moderate positive significant ( $r = .577$ ,  $p = .000$ ).

The relationship between Controlling and Managerial Roles is strong positive significant ( $r = .703$ ,  $p = .000$ ); the relationship between Controlling and Managerial Skills is moderate positive significant ( $r = .621$ ,  $p = .000$ ); the relationship between Controlling and Organizational Effectiveness is moderate positive significant ( $r = .629$ ,  $p = .000$ ).

The relationship between Managerial Roles and Managerial Skills is moderate positive significant ( $r = .658$ ,  $p = .000$ ); the relationship between Managerial Roles and Organizational Effectiveness is moderate positive significant ( $r = .563$ ,  $p = .000$ ).

The relationship between Managerial Skills and Organizational Effectiveness is moderate positive significant ( $r = .476$ ,  $p = .000$ ).

#### 4.5 Regression Analysis

Regression Analysis Planning and Decision Making, Organizing, HRM, Leadership, Motivation, Controlling, Managerial Roles, Managerial Skills effect on Organizational Effectiveness (Public and Private Commercial Banks):

| Model Summary  |       |       |          |                   |                            |
|--|-------|-------|----------|-------------------|----------------------------|
| Nature of Bank   | Model | R     | R Square | Adjusted R Square | Std. Error of the Estimate |
| Public Commercial Banks  | 1     | .809a | .654     | .612              | .34434                     |
| Private Commercial Bank  | 1     | .686b | .470     | .406              | .39144                     |
| a. Predictors: (Constant), Planning and Decision Making, Organizing, HRM, Leadership, Motivation, Controlling, Managerial Roles, Managerial Skills |       |       |          |                   |                            |
| b. Predictors: (Constant), Planning and Decision Making, Organizing, HRM, Leadership, Motivation, Controlling, Managerial Roles, Managerial Skills |       |       |          |                   |                            |

Table-6: Model Summary of Management Practices effect on Organizational Effectiveness (Public and Private Commercial Banks)

The results show that the regression equation explains for both Public Commercial Banks and Private Commercial Banks are more than 65.4% and 47% of the variability in organizational effectiveness. This is an acceptable level of R Square in explaining variability of organizational effectiveness.

| ANOVA <sup>a</sup>      |              |                |    |             |        |                   |
|-------------------------|--------------|----------------|----|-------------|--------|-------------------|
| Nature of Bank          | Model        | Sum of Squares | df | Mean Square | F      | Sig.              |
| Public Commercial Banks | 1 Regression | 14.776         | 8  | 1.847       | 15.577 | .000 <sup>a</sup> |
|                         | Residual     | 7.826          | 66 | .119        |        |                   |
|                         | Total        | 22.602         | 74 |             |        |                   |
| Private Commercial Bank | 1 Regression | 8.973          | 8  | 1.122       | 7.320  | .000 <sup>b</sup> |
|                         | Residual     | 10.113         | 66 | .153        |        |                   |
|                         | Total        | 19.085         | 74 |             |        |                   |

|  |
|--|
| a. Predictors: (Constant), Planning and Decision Making, Organizing, HRM, Leadership, Motivation, Controlling, Managerial Roles, Managerial Skills |
| b. Predictors: (Constant), Planning and Decision Making, Organizing, HRM, Leadership, Motivation, Controlling, Managerial Roles, Managerial Skills |
| c. Dependent Variable: Organizational Effectiveness  |

Table-7: ANOVA of Management Practices effect on Organizational Effectiveness (Public and Private Commercial Banks)

This table provides the information on the significance of the model for Public Commercial Banks indicating a significant p-value of .000,  $F=15.577$  and for Private Commercial Banks indicating a significant p-value of .000,  $F=7.320$ . Results indicate that the overall model was reasonably fit and there was a statistically significant association between managerial practices and organizational effectiveness of both Public Commercial Banks and Private Commercial Banks in Bangladesh.

| Nature of Bank                                      | Model                        | Coefficients <sup>a</sup>   |            |                           |        |      |                         |       |
|---|------------------------------|-----------------------------|------------|---------------------------|--------|------|-------------------------|-------|
|   |                              | Unstandardized Coefficients |            | Standardized Coefficients | t      | Sig. | Collinearity Statistics |       |
|   |                              | B                           | Std. Error | Beta                      |        |      | Tolerance               | VIF   |
| Public  | 1 (Constant)                 | -.980                       | .496       |                           | -1.974 | .053 |                         |       |
|   | Planning and Decision Making | .021                        | .103       | .018                      | .206   | .837 | .691                    | 1.447 |
|   | Organizing                   | -.029                       | .168       | -.021                     | -.174  | .862 | .353                    | 2.830 |
|   | HRM                          | .343                        | .102       | .359                      | 3.346  | .001 | .456                    | 2.192 |
|   | Leadership                   | .177                        | .176       | .131                      | 1.003  | .319 | .306                    | 3.272 |
|   | Motivation                   | .035                        | .144       | .029                      | .241   | .810 | .352                    | 2.842 |
|   | Controlling                  | .346                        | .156       | .281                      | 2.222  | .030 | .328                    | 3.047 |
|   | Managerial Roles             | .308                        | .177       | .218                      | 1.739  | .087 | .334                    | 2.992 |
|   | Managerial Skills            | -.010                       | .126       | -.008                     | -.076  | .940 | .508                    | 1.969 |
| Private   | 1 (Constant)                 | .442                        | .630       |                           | .702   | .485 |                         |       |
|   | Planning and Decision Making | .013                        | .147       | .010                      | .086   | .932 | .645                    | 1.551 |
|   | Organizing                   | .409                        | .190       | .307                      | 2.155  | .035 | .397                    | 2.522 |
|   | HRM                          | .219                        | .112       | .270                      | 1.959  | .054 | .422                    | 2.371 |
|   | Leadership                   | -.193                       | .181       | -.162                     | -1.065 | .291 | .349                    | 2.866 |
|   | Motivation                   | .150                        | .131       | .149                      | 1.146  | .256 | .476                    | 2.103 |
|   | Controlling                  | .052                        | .166       | .050                      | .312   | .756 | .318                    | 3.140 |
|   | Managerial Roles             | .247                        | .187       | .195                      | 1.317  | .193 | .366                    | 2.732 |
|   | Managerial Skills            | -.022                       | .142       | -.021                     | -.152  | .880 | .413                    | 2.423 |
| a. Dependent Variable: Organizational Effectiveness |                              |                             |            |                           |        |      |                         |       |

Table-8: Coefficient of Management Practices effect on Organizational Effectiveness (Public and Private Commercial Banks)

Table-8 indicates that HRM and controlling of managers have significant influence on organizational effectiveness of Public Commercial Banks in Bangladesh. Therefore, the hypotheses  $H_3$  and  $H_6$  are accepted at the 5% level of significance (p value is less than 0.05). This table also indicates that organizing and HRM of managers have sig-

nificant influence on organizational effectiveness of Private Commercial Banks in Bangladesh. Therefore, the hypotheses H<sub>2</sub> and H<sub>3</sub> are accepted at the 5% level of significance (p value is less than 0.05).

On the basis of results of regression model of the study for Public Commercial Banks is-

Organizational Effectiveness =  $-.980 + .021$  (Planning and Decision Making) +  $-.029$  (Organizing) +  $.343$  (HRM) +  $.177$  (Leadership) +  $.035$  (Motivation) +  $.346$  (Controlling) +  $.308$  (Managerial Roles) +  $-.010$  (Managerial Skills) + e

On the basis of results of regression model of the study for Private Commercial Banks is- Organizational Effectiveness =  $.442 + .013$  (Planning and Decision Making) +  $.409$  (Organizing) +  $.219$  (HRM) +  $-.193$  (Leadership) +  $.150$  (Motivation) +  $.052$  (Controlling) +  $.247$  (Managerial Roles) +  $-.022$  (Managerial Skills) + e

#### **4.6 The result of the Test of Hypotheses**

| Hypotheses   | Results                   |
|--|---------------------------|
| H <sub>1</sub> : There is a significant difference between managers of public and private commercial banks in their perceptions regarding planning and decision making.  | Rejected                  |
| H <sub>2</sub> : There is a significant difference between managers of public and private commercial banks in their perceptions regarding organizing.                    | Accepted                  |
| H <sub>3</sub> : There is a significant difference between managers of public and private commercial banks in their perceptions regarding human resource management.     | Accepted                  |
| H <sub>4</sub> : There is a significant difference between managers of public and private commercial banks in their perceptions regarding leadership.                    | Rejected                  |
| H <sub>5</sub> : There is a significant difference between managers of public and private commercial banks in their perceptions regarding motivation.                    | Rejected                  |
| H <sub>6</sub> : There is a significant difference between managers of public and private commercial banks in their perceptions regarding controlling.                   | Rejected                  |
| H <sub>7</sub> : There is a significant difference between managers of public and private commercial banks in their perceptions regarding managerial roles.              | Accepted                  |
| H <sub>8</sub> : There is a significant difference between managers of public and private commercial banks in their perceptions regarding managerial skills.             | Rejected                  |
| H <sub>9</sub> : There is a significant difference between managers of public and private commercial banks in their perceptions regarding organizational effectiveness.  | Confirm 3 cases out of 14 |
| H <sub>10</sub> : There is a significant association between managerial practices and organizational effectiveness in public and private commercial banks of Bangladesh. | Accepted                  |
| H <sub>11</sub> : There is a significant association between managerial roles and organizational effectiveness in public and private commercial banks of Bangladesh.     | Accepted                  |
| H <sub>12</sub> : There is a significant association between managerial skills and organizational effectiveness in public and private commercial banks of Bangladesh.    | Rejected                  |

Table-9: The result of the Test of Hypotheses

## **5. Recommendations and Conclusions**

**5.1 Recommendations:** Failure or success of the banking activities depends on the qualities of a manager. A skilled and qualified manager turned and upgraded a problem bank to best bank by implementing his/her managerial functions properly, applying different roles of managers needed to perform in the right way. Successful managers in today's team-oriented environments also need to possess different skills of effective leaders, coaches and facilitators. Today's managers and leaders have to be motivated to perform their work satisfactorily. Being motivated they have to work hard to motivate the people who work with or follow them. Because people today simply do not want to be managed, they want to be guided. Today the leaders and managers must be more innovative and more proactive in anticipating the problems and opportunities as well as they must have the knowledge about the entirely new markets and products.

**5.2 Conclusions:** This study was limited to investigate the impact of management practice of commercial banks in Bangladesh. Findings suggest that most of the factors for management practices for both public and private commercial banks have no significance differences. The application of managerial roles have a strong impact over the management practice, the sound human resource policy of the bank also helps the managers to conduct their managerial activities smoothly and help to deal with different motivational tools. The correlation among the variables focused that most of the factors are positively correlated to each other. The regression model also fit reasonably and there was a statistically significant association between managerial practices and organizational effectiveness of both public and private commercial banks. The findings of this research study will be important both on the theoretical level and practical level. From the perspective of the banks, these findings should assist in developing the management practices that can potentially assist a bank to reduce the occupational hazards.

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## CORPORATE SOCIAL RESPONSIBILITY AWARENESS AND ITS EFFECTS

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**Abstract.** Model of CSR Awareness is a coincide reflection of CSR Pyramid. The CSR awareness model predicts that the degree of CSR awareness passes through economic to philanthropic and it reflects the degree of societal partnership. CSR Scholar and practitioners demonstrate positive outcomes of CSR on firms' performance. Since business is a social institution; its survival, growth and ultimate success depend on social approval. Social approval can be legitimated through increasing CSR awareness within organizational interfaces. CSR awareness of employees can be promoted through training & education, top management commitment, and patronization on CSR activities. The organization has a higher degree of CSR awareness holds a higher degree of social partnership. High degree of social partnership leads to a strategic advantage in the marketplace.

**Keywords:** CSR; CSR Awareness, Organization, Employee, Society

### 1. Introduction

Corporate Social Responsibility (CSR) is everyone's business. Everyone refers to organizational participants who serve corporation as well as entire societies. CSR awareness among the employees can be promoted through CSR training & education which requires top management commitment & patronization through communicating CSR initiatives in every sphere in the organization. Employees are primarily responsible for economic profitability of the business that is a prerequisite for them as well as corporate survival. When business becomes profitable, they legally aware on promoting legal commitment towards government rules that are influencing guiding legal principles of carrying along with the business. As business expanded they go beyond the legal requirement doing something just for the well being of society as it demanded. Eventually, they become proactive towards different societal problematic areas as a corporate citizen in making a corporate social relationship. The employee acts as an agent of cor-

poration therefore, their collective awareness as an observation of corporate consciousness. The entire courses of awareness create, grow, and flower within a corporate culture. Human capital that learns, aware and build in mind a positive social soft corner for society welfare.

There have long been conflicting expectations about the nature of companies' responsibilities to society (Moir, 2001). In spite of this conflict of interest CSR agenda becomes a strategic focal point of discussion of CSR scholar and practitioners over the better part of last century (Bains, 2013). Keith Davis suggested in 1960 that social responsibility refers to business decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest. Carroll (1991) outlines CSR in the form of Pyramid composition of economic, legal, ethical, and philanthropic responsibility. Components of CSR arrange in hierarchical fashion economic to philanthropic reflect the higher concentration to the social well being. On the basis of CSR Pyramid propounded by Carroll in 1991, the author is motivated-

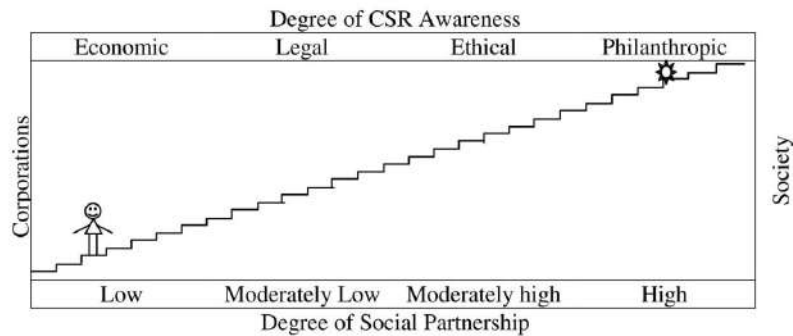
- a. To design the Model of CSR Awareness as a coincide reflection of CSR Pyramid;
- b. To discuss CSR Awareness effects on organizational participants;
- c. To fit the CSR Awareness Model in relevant literatures; and
- d. To approach the methods of building CSR Awareness on organizational interfaces

## **2. Model of CSR Awareness**

The CSR awareness model builds upon a notion that corporate social responsibility is a realization of the purpose of doing business. According to the Pyramid Model of Corporate Social Responsibility (Carroll, 1991), the degree of realization passes economic to philanthropic. For increasing realization of doing business, CSR education & training, top management commitment to CSR involvement, participation & communicating CSR strategy become the main components of building CSR awareness within an organization. Organization is a system working as a whole; compose of subsystem whereby employees work as an economic agent of the organization. Top management decisions and actions implemented through employees who are assigned for decision in action. The degree of social partnership depends on participating CSR activities as a reflection of commitment of top management. Degree of top management commitment leads to a higher degree of social responsibility. The entire activities awaked them economic to philanthropic responsibility; leading to higher degree of societal partnership.

**Awareness Stage 1:** As the business start- grows in size; it requires individual attention like a mother care her child during the infant period. Therefore, concentration is given economic possibilities for surviving in the future. Economic concentration implicitly draws social contribution as a supply of product/service, generating employment, using available societal economic resources etc.

**Figure 1: Model of CSR Awareness**



**Source:** Developed by the author on the basis of review of literature

**Awareness Stage 2:** As business becomes economic; the individual economic concentration is backed into legal responsiveness. Like a child in teenage period teaches in family and school about societal rules and ethics; what is right and wrong. In this stage business become legally responsible; conducting business within rules, regulation and framework of society/government. Legal responsibility explicitly draws social contribution as a fair wage/salary, safe running environment, preserving trust and assurance, not providing false or deceptive information; guarantee the legal compliance at everywhere in business and so on.

**Table 1: Degree of Societal Partnership and CSR Awareness**

| Stages of Awareness | Degree of Societal Partnership | Society  | Organization  | Stages of CSR |
|---------------------|--------------------------------|--|---|---------------|
| Stage 1             | Low                            | Employment, Supply of goods and Services, Procurement of Resources from Society.                     | Higher Concentration on Profitability, One sided comment of maximizing stakeholder's interest.      | Economic      |
| Stage 2             | Moderately Low                 | Product safety, confirmation of legal compliance on product and services.                            | Workplace safety, Standard working conditions and remuneration, Product/ service standardization.   | Legal         |
| Stage 3             | Moderately High                | Respect of standard, norms, expectation, moral rights of stakeholders.                               | Ethical workplace, honesty, fairness, a commitment to excellence, moral judgment in doing business. | Ethical       |
| Stage 4             | High                           | Promoting welfare of society through allocation of resources and time in different areas of society. | Acting as a corporate citizen for building image and corporate health in areas of business.         | Philanthropic |

**Source:** Developed by the author on the basis of review of literature

**Awareness Stage 3:** As business compliance with law; become ethical- do something better that are not delineated by law just one steps forward realization for betterment of

the society. Acting in an ethical way involves distinguishing between “right” and “wrong” and then making the “right” choice. It is relatively easy to identify unethical business practices. The ethical responsibility of business is reflected by honesty, integrity, promise, loyalty, fairness, caring, respect, commitment, leadership, reputation, morale and so on.

**Awareness Stage 4:** The upper ladder awareness of CSR is reflected by the corporate proactive decision and actions in social problematic areas. The philanthropic responsibility of business entails a high degree of corporate social partnership; the ultimate survival of the corporation depends on society. Therefore, high degree of social commitment should be sworn out for corporate image and health for the aim of strategic advantages in a dynamic business environment.

### **3. Effects of CSR Awareness**

CSR awareness commonly offers mixed outcomes for the organization in the form of acceptability, reliability, positive image, loyal and satisfied customers etc. Outcomes of CSR awareness invisible in the short run; visible at long run become a distinctive competence in in-house operations and in the marketplace.

**To the Employees:** Employee is a major part of the organization. Their collective attitudes and actions enhance or diminish the effectiveness of the organization. Employees who are aware in CSR initiatives in organizational interfaces become satisfied intrinsically and continue with the organization. If anyone asked them, how do you feel in your job? The answer is surprising, “we provide an important service to the society.” CSR positively impacts employee turnover, recruitment, satisfaction, retention, loyalty, and commitment (Aguilera et al., 2007). Bauman & Skitka (2012) argue that employees are primary stakeholders who directly contribute to the success of the company. Understanding employee reactions to corporate social responsibility may help answer lingering questions about the potential effects of corporate social responsibility on firms as well as illuminate some of the processes responsible for them. CSR can have a similar effect by providing people with opportunities to express their values, contribute to the community and society at large, and potentially build or at least be a part of a lasting legacy. By satisfying their need for a meaningful existence, employees should enjoy greater life-satisfaction and increased emotional well-being. In addition, when employees participate in programs that matter to them, it may strengthen their relationship with the company and help them dedicate themselves to their own work roles (Grant, 2008; Grant et al., 2007).

**To the Organization:** Today's organization becomes learning organization in competing marketplace. The organization pursues positive attitudes from their stakeholders in the form of satisfaction. Stakeholder satisfaction levels increase due to increase investments in corporate social responsibility (Olaru, 2012). CSR strength favorably re-

lates to the investment, organizational policy and performance (Erhemjamts & Venkateswaran, 2013). There have been positive significant relationship observed between brand value and Corporate Social Responsibility; customer satisfaction and Corporate Social Responsibility and customer satisfaction and brand value relationship (Rahman, 2014). Companies might act in a socially responsible manner to shape society's attitude towards the company for positive corporate image (Lantos, 2002). CSR determines corporate identity in the market place in the form of positive image (Virvilaite & Daubaraite, 2011), positive word of mouth, reputation and supportive strategy for long term survival in the marketplace. For the better visualization of CSR returns, organization's proactive responsiveness towards society should be promoted. CSR initiatives stem from the inside of the organization; therefore, top management commitment and patronization are useful in promoting CSR awareness in organizational boundaries.

#### **4. Model Fitness**

The corporation is an important component of the social economy (Shin, 2014). In recent decades, a growing number of academics as well as top executives have been allocating a considerable amount of time and resources to corporate social responsibility strategies (Cheng, Ioannou & Serafeim, 2014). There is growing evidence that a company's corporate social responsibility comprises a legitimate, compelling, and increasingly important way to attract and retain good employees. Corporate social responsibility initiatives reveal the values of a company and thus can be part of the "employee value proposition." Therefore, corporate social responsibility often serves as a genuine point of differentiation for the company in the eye of employees. Now that many global companies are investing millions of dollars in corporate social responsibility initiatives, it has never been more worthwhile to assess the returns in terms of improved connections with employees. (Bhattacharya, Sen & Korschun, 2008).

A general view of corporate social responsibility is for companies to be accountable to their stakeholders. Stakeholders are generally employees, customers, suppliers, communities, etc. Corporate Social Responsibility activities can consist of being responsible for employees, by, for example, developing, and implementing policies which improve working conditions for employees in the firm. Corporate social responsibility can also consist of being accountable to the community where the company operates, by, for example, volunteering company personnel in the community (Carroll, 1999). Pyramid Model of Corporate Social Responsibility suggests four kinds of corporate social responsibility (economic, legal, ethical, and philanthropic) constitute total corporate social responsibility.

- *The Economic responsibility* of business entails that business should be profitable. It is the foundation upon which all other responsibilities are lying on.
- *The Legal responsibility* of business entails business should obey the law. Law

is the society's codification of right and wrong; playing by the rule of the game.

- *The Ethical responsibility* of business entails business should be conducted in an ethical way. It is the obligation to do right, just and fair for avoiding harm.
- *The Philanthropic responsibility* of business entails being a good corporate citizen contributes resources to the community; improve quality of life.

These four categories or components of CSR might be depicted as a pyramid. These kinds of responsibilities have always existed to some extent but ethical and philanthropic functions have taken a significant place (Carroll, 1991).

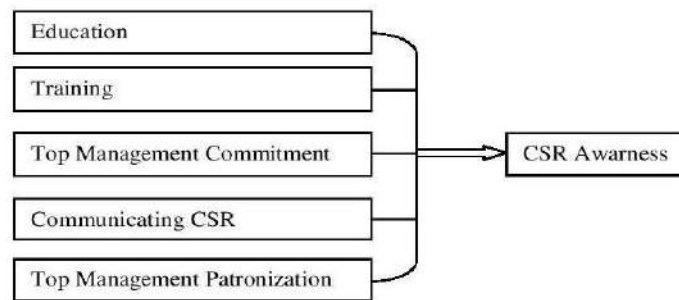
Corporate social responsibility means different things to different stakeholders, but generally refers to saving people, communities and the environment way that goes beyond what is legally required of a firm (Salehi Azary, 2009). Corporate responsiveness towards society creates perception of societal partnership in the customer's mind and they realized themselves that they are valued by the corporation. The study reveals that corporate social responsibility has a positive impact on the valuing brand image of the corporation and also makes customers satisfied. Corporate social responsibility taught to be an important strategic tool for organizations in order to gain a competitive advantage and to display a positive image to society for profitable and long lasting customer relationship management in service and manufacturing industry around the world (Rahman, 2014).

## **5. Approaches of Building CSR Awareness**

**Education:** Education formalized mental thinking of individual and groups towards right and wrong. It is a universal approach of educating people towards societal norms, values, beliefs, attitudes, responsibility, and manner of social citizenship behavior. Educating for a rising awareness ranging family, social organization, religious institute to the formal education system. Throughout the lifetime human beings taught and learn to serve society which gives them a solid foundation of awareness for serving people as a part of corporate social responsibility.

**Training:** On the job training program is an effective approach to clarify organizational vision, mission, and broad objectives to the employees. Organizations legitimize the purpose of the organizations in terms of a mission statement in reflection of vision statement; on the basis of that organizational objectives are framed. Therefore, training program facilitates employees to know the broad picture of the organization, including awareness regarding corporate social responsibility initiatives and degree of responsiveness of the corporation toward society.

**Figure 2 :** Approaches of Building CSR Awareness



**Source:** Developed by the author

**Top Management Commitment:** Management commitment is the degree of importance on organizational objectives and stakeholders value maximization for facilitating attainment of corporate mission. Serving commitment towards society has a positive impact on corporate survival and profitability that is ultimate goal of business. Therefore, the sum of commitment to organizational objectives is equal to sum of commitment to its different stakeholders. Corporate stakeholders comprise employees, customers, government, suppliers, business partners, etc. Corporate mutual action and reaction towards attaining objectives of these stakeholders is prerequisite for positive business climate. Among the stakeholders, employees regarded as an agent of implementing organizational policies, rules, and organizational strategy. Therefore, top management commitment towards corporate social responsibility has a positive impact on valuing CSR awareness among the employees.

**Communicating CSR:** Organization structure facilitates meeting organizational objective. It represents horizontal, vertical, and network of relationship. Implementation of organizational strategy requires coordination and cooperation of people in organizational structure. CSR policies and strategies need to be communicated among the employees for its effective implementation. Since business represent give and back relationship toward its stakeholders; therefore communicating CSR initiatives with internal and external customers increase firm value. Communicating CSR strategies to the employees increase awareness among them for maximizing corporate health and image.

**Top Management Patronization:** Employees become matured in working with organizational culture. A continuous learning process allows them to design and pursue organizational objectives. Top management delegates power and responsibility to the competent, innovative, and motivated employees. In learning organization's top management oversees and patronizes initiatives, including CSR strategy as a means of strategic payoff of corporate responsible trustworthy societal relationship.

## 6. Conclusions

Corporate social responsibility awareness model represents the degree of societal partnership with respect to the degree of social engagement. This model predicts that employee's awareness of CSR depends on approaches of building CSR awareness, including education, training, top management commitment, communication CSR and patronizing CSR initiatives within an organizational interface. Since business and society build upon a give and back relationship. Therefore, CSR engagement can be a strategic focal point of corporate profitability and survival. But valuing CSR initiatives depends on CSR awareness among the employees within an organization. The continuous awareness building programs effect on maturity of employees to understand the urgency to meet social objectives in the form of CSR initiatives. Top management commitment acts as a moderating effect on awareness building of employees in learning organization for becoming a socially responsible corporate citizen.

The society and organization seem to give and back relationships. For meeting balance between giving and back relationship, the realization of organization is important. Organizational internal strength like employee can be a reliable diver for meeting emerging expectation of society. There is an urgency of CSR awareness for building educated, learned, and devoted human capital for initiating sustainable CSR initiatives. High degree of CSR awareness relates to the high degree of societal relationship which relates to the strategic advantage in a competitive marketplace.

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## CUSTOMERS' PERCEPTIONS TOWARDS BANK SELECTION BASED ON DEMOGRAPHIC FACTORS: EVIDENCE FROM BANGLADESH

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**Abstract.** This study is designed to examine the impact of demographic disparities on the bank selection criteria applied by bank customers in Bangladesh. To ascertain this, questionnaires were used to obtain data from customers of six selected public and private banks. The banks are Sonali Bank Limited (SBL), Janata Bank Limited (JBL), Agrani Bank Limited (ABL), Rupali Bank Limited (RBL), National Bank Limited (NBL) and Dutch Bangla Bank Limited. A total number of 275 questionnaires were sent to the field of which 256 clients responded. These clients were reached by means of convenience through exit survey at the various banks' premises, market places, schools, universities, Mosques, bus stations and their homes. The study observed that occupation, Gender, Marital Status, Income, Age and Educational Qualification are important factors customers look for when making bank selection decision. As a result, it found that, selection have a positive and significant relation with reliability, convenience, assurance, accessibility and responsiveness. In specifically, gender has a positive and significant relation with accessibility, age with convenience, marital status with assurance education with responsiveness, occupation with reliability income with convenience as like age. The study has made recommendations to understand customers' demographic criteria in identifying the appropriate marketing strategies needed to attract new customers and retain existing ones.

**Keywords:** Bank Selection Attributes, Demographic criteria, Customer perception, Bangladesh

## **1. Introduction**

Bangladesh is a third world country with an under developed banking system, particularly in terms of the services and customer care provided by the government run commercial banks. Recently the private banks are trying to imitate the banking structure of the more developed countries, but this attempt is often foiled by inexpert or politically motivated government policies executed by the central bank of Bangladesh.

The banking industry in Bangladesh is highly competitive with a mixed banking system comprising State-owned Commercial Banks (SCBs), Specialized Commercial Banks (SCBs), Private Commercial Banks (PCBs), Foreign Commercial Banks (FCBs), Non-schedule Banks (NSBs), Specialized Financial Institutions (SFIs) and Non-bank Financial Institution (NFIs). According to International Finance Corporation – IFC (As on 30 June 2015 of Bangladesh Bank' Report), the financial sector in Bangladesh consists of a central bank (Bangladesh Bank), 6 state-owned commercial banks, 2 Government-owned specialized banks, 39 Private Commercial Banks (conventional and Islamic shariah based), 9 Foreign-Commercial Banks, 4 non-scheduled banks, 4 specialized financial institutions (semi formal sector) and 34 Non-Bank Financial Institutions. 56 commercial banks with 9131 branches operate in the country (Bangladesh Bank, June, 2015). According to Bangladesh bank (2015), Private Commercial Banks command the greatest market share in terms of both industry assets and deposits. As on 30 June 2015, the contribution of Private Commercial Banks to both industry assets and deposits was 63.3% and 64.1% respectively. Now, total asset of all commercial banks of Bangladesh is Tk. 9693.8 billion on the other hand these banks' total deposit is Tk. 7406.5 billion.

## **2. Literature Review**

The growing competitiveness in the banking industry and similarity of services offered by banks has made it increasingly important that banks should identify the demographic factors upon which customers perceptions are made towards the providers of financial services. Consequently, the issue of “how customers select banks” has been given considerable attention by some researchers (for example: Anderson et al. 1976; Evans 1979; Kaynack and Yavas 1985; Ross 1989; Kazeh and Decker 1993; Denton and Chan, 1991; Hegazi 1995; Metawa and Almossawi 1998; Omar, 2007; Kamakodi and Khan (2008); Rao, 2010). Studies related to bank selection based on demographic criteria have been mainly conducted in the USA and some European countries. Such studies have contributed substantially to the literature on bank selection and their findings may not be applicable to other countries due to differences in cultural, demographic, economic and legal environments. A set of determinants that have a significant role in bank selection in one nation may prove to be insignificant in another, Rao & Sharma (2010).

**2.1. Reliability:** Based on the study of (Kaynak, 1991) in Turkey, friendly employees, branch locations close to their homes, fast and efficient service, availability of credit and financial services counseling are particularly important in banking selection. Owing to these differences in findings, research on banking selection remains inconclusive and needs further investigation.

**2.2. Convenience:** A study of Chigamba, C., & Fatoki, O. (2011) reveal that that convenience is one of the most important variables influencing customer choices among other factors, namely customer services, online banking facilities and overall bank environment. Customers have devoted much emphasis on electronic services (ATM) which gives them quick and convenient access to the bank service (Mokhlis, 2009). A study conducted by (Sharma & Rao, 2010) on bank selection criteria employed by MBA students in India concludes that convenience is an important determinant. Factors such as parking facilities, free delivery on demand, phone banking, and free home cash delivery suggest that consumers want convenience in banking and they want to save time. According to (Mokhlis, 2009) service provision came second in terms of relative importance considered by female customers than a male customer when selecting their banks. The importance of service provision is further evidenced by the study conducted by (Gerrard and Cunningham, 2001) on how undergraduate students choose the bank to patronize in Singapore. Based on the study of (Kaufman, 1967), he found that the most influential factors in the customer's selection of a bank were convenient location to the home or place of business, length of bank customer relationships and quality of services offered by the bank. According to (Mason & Mayer, 1974) they suggested that among other important selection criteria used by the customer, convenient location came in the top the priority, followed by other important factors like friendly personnel, favorable loan experience, and advice of friends and influence of relatives' opinion. Findings of various studies reveal that consumer choice of banks depends on a multiple set of criteria, including bank location, availability of loans and the default salary account of a particular bank based on a study of (Martenson, 1985). (Gerrard & Cunningham, 2001) found that convenience factors were of paramount importance in banking in banking selection criteria as compared to other factors based on their survey conducted on conventional banking customers in Bahrain and Singapore respectively (Almossawi, 2001).

**2.3. Assurance:** Another study found that customer selection of banking services was mainly determined by the dependability of institutions, accessibility, "easiness" of processes for transactions, variety of services offered and the availability of loans at competitive interest rates. Based on the study of (Beckett & Hower, 2000) he points out that consumers are inclined to prefer the prospect of long-lasting relationships as a selection criterion due to them avoiding disruption and switching costs. They also confirm that the cost and type of bank product is important in the purchasing behavior of consumers and that a relationship based on trust is important, especially those of professional associations that "protect consumers from third parties acting opportunisti-

cally”. Coupled with the relationship with a bank, perceived service quality was also seen to be an important bank selection criterion used to select a bank (Aregbeyen, 2011). Indeed, aspects of the service delivery process, such as ease of handling queries, delivering on services as promised, and the length of waiting time, are central tenets of the service related criterion.

**2.4. Accessibility:** According to (Almossawi, 2001) points out that proximity and service quality are important factors for commercial banks. This suggests that university students will prefer to the commercial banks with offices or ATM facilities that are close to their campuses. Based on the study of (Almossawi, 2001) he adds that even though there are schemes, which enable ATM cardholders to use ATMs of any bank, they still need to visit the bank when necessary to perform some services, which cannot be done through ATMs. According to (Zineldin, 1995) concludes in his study that functional quality in bank selection to be more important than traditional marketing activities. More specifically, the study found factors such as accuracy in account management, efficient mistake correction, and speedy service and decision-making more important than the convenience of location, advertising, and price.

**2.5. Responsiveness:** A selection criterion is one of the factors that influence of selecting the financial institution among the customers. According to (Mokhlis, 2009) the fast and efficient service, friendly and helpful staff and the reputation of the bank are important factors in the selection of a bank. Some customer was found to be sensitive to the core services offered, some were conscious of every aspect of their banks and some others would shop around for the best deal. Except for a few differences in the selection criteria, both Muslim and non-Muslim have the same value traits in selecting the financial institution. According to fund that friendliness of staff plays the major role in the bank decision process, followed by hours of operations, size of waiting lines, convenience of location and efficiency of personnel.

**2.6. Objectives of the Research:**

- I. To know the importance of the dimension of bank attributes across demographic segments.
- II. To examine whether demographic factors of the customers have any significant effect on Bank selection decisions.

### **3. Research Methodology**

This research is mainly based on primary data collected with a structured questionnaire consisting of twenty eight questions. Likert-type five point scale has been used where value 1 is assigned to the answer strongly disagree, 2 to disagree, 3 to neutral, 4 to agree and 5 to strongly agree answer for each question. The questionnaire is divided into two parts. Demographic factors of the respondents are the first part and in the second part bank selection factors related questions are placed. A total of 256 customers

has been surveyed using simple random sampling method. At first, the questionnaire was pre-tested with a sample size of 25. Data are collected from both the public and private banks' customers. Then necessary corrections and additions are then made to make the questionnaire more meaningful and useful to attain the objectives of the research. On the other hand, secondary data have been collected from different articles and websites. Collected data have been analyzed and presented using descriptive statistic factor analysis techniques (frequency table, mean, standard deviation and ANOVA) to find out the factors that are the most or least important role players for bank selection decision.

#### **4. Conceptual Framework and Hypothesis Development**

Five factors or dimensions of bank patronage were selected for the purpose of this study. These dimensions have been chosen based on their levels of significance found in the previous empirical studies. These are (1) Reliability (2) Convenience (3) Assurance (4) Accessibility and (5) Responsiveness. These are treated as the independent variables. The dependent variables are the choice of banks or perceptions of banks, whether public or private bank.

The framework of this study assumes a person's overall perception towards bank, both public and private, as a weighted sum of the rating a bank perceived on patronage dimensions, with the weights being the importance the customer attaches to the dimensions. The overall rating of multiple patronage dimensions is therefore the overall perception of that person which can normally be considered as a good predictor of the person's choice bank. This assumption is based on the numerous propositions that certain bank attributes significantly influenced the consumers' choice of bank. Empirical studies have found that there existed some universal selection criteria specific to bank patronage decisions. Such studies carried out in different parts of the world, but rarely in Bangladesh, revealed a consistent group of attributes that influences consumer choice.

It has also been found in previous studies that differences in perception and opinions across demographic segments have had a significant effect on consumers' bank patronage decisions. As the composition of the Bangladesh population includes diverse demographic segments, it will be interesting to also look at the effects of demographic differences. From the theoretical discussion and literature reviewed, the following conceptual framework was developed for this study.

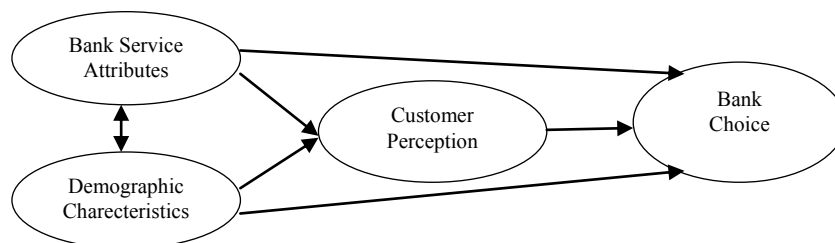


Figure 1; Theoretical Framework

The study is premised on the following null hypothesis;

H<sub>0</sub>: There is no significant effect of demographic factors on bank selection decision.

## 5. Empirical Findings of the Study

Table 1: Demographic Profile of the Respondents

| Characteristics      | Category           | Frequency | Percent |
|----------------------|--------------------|-----------|---------|
| Gender               | Male               | 209       | 81.64   |
|                      | Female             | 47        | 18.36   |
|                      | Total              | 256       | 100     |
| Age                  | 18-25 years        | 35        | 13.67   |
|                      | 25-35 years        | 77        | 30.08   |
|                      | 35-45 years        | 88        | 34.38   |
|                      | 45 & above         | 56        | 21.87   |
|                      | Total              | 256       | 100     |
| Marital status       | Single             | 55        | 21.49   |
|                      | Married            | 194       | 75.78   |
|                      | Divorced/Separated | 7         | 2.73    |
|                      | Total              | 256       | 100     |
| Education level      | Below SSC          | 65        | 25.39   |
|                      | SSC                | 47        | 18.36   |
|                      | HSC                | 56        | 21.88   |
|                      | graduate           | 42        | 16.40   |
|                      | Post graduate      | 46        | 17.97   |
|                      | Total              | 256       | 100     |
| Occupation           | Student            | 65        | 25.39   |
|                      | Service holder     | 98        | 38.28   |
|                      | Businessman        | 77        | 30.08   |
|                      | House wife         | 12        | 4.69    |
|                      | Others             | 04        | 1.56    |
|                      | Total              | 256       | 100     |
| Monthly Income level | Taka below 12,000  | 96        | 37.5    |
|                      | Taka 12,000-25,000 | 89        | 34.77   |
|                      | Taka 25,000-40,000 | 48        | 18.75   |
|                      | Taka 40,000-50,000 | 14        | 5.47    |
|                      | Taka 50000 - above | 09        | 3.51    |
|                      | Total              | 256       | 100     |

*Customers' Perceptions towards Bank Selection Based on Demographic Factors: Evidence from Bangladesh*

|                               |              |     |       |
|-------------------------------|--------------|-----|-------|
| Types of Bank respondents use | Public Bank  | 182 | 71.09 |
|                               | Private Bank | 74  | 28.91 |
|                               | Total        | 256 | 100   |

Source: Field Survey, September, 2016

The demographic characteristics of the respondents reveal that the majority of the respondents are male (81.64%) and only 18.36% of the respondents are female, of them 21.49% are single while 75.78% and 2.73% are married and divorced/separated respectively. The age level of 13.67% respondents is between 18 and 25 years, 30.08% between 25 and 35 years, 34.38% between 35 and 45 and 21.87% is from 45 to above.

Maximum respondents are educated. Here, 17.97% has passed postgraduate level, 16.40% has passed graduate level, 21.88 % HSC level and only 18.36% falls into SSC passed and below SSC level is 25.39%. Most of the respondents are Service holder and a few of them are house wives.

Most of them earn monthly less than Tk. 12,000 and a very low (3.51%) earn highest level of income. This research has used 71.09% sample from public banks and 28.91% from private banks.

*Table 2: Ranking importance of different variables related to bank selection*

| Factor and items                                | N. of Respondents | Mean | Std. Deviation | Ranking of the items |
|---|-------------------|------|----------------|----------------------|
| <b>Factor 1 - Reliability</b>                   |                   |      |                |                      |
| Bank has a good reputation                      | 256               | 4.55 | .963           | 05                   |
| Bank has a good security management             |                   | 3.72 | 1.295          | 18                   |
| Bank has a reasonable bank charge               |                   | 4.45 | .970           | 08                   |
| Safety of funds in terms of good financial base |                   | 4.38 | .998           | 09                   |
| Age of the bank                                 |                   | 4.68 | .986           | 03                   |
|   |                   | 4.36 |                |                      |
| <b>Factor 2 - Convenience</b>                   |                   |      |                |                      |
| Available parking space nearby                  | 256               | 3.89 | 1.286          | 16                   |
| Bank has phone banking facility                 |                   | 3.26 | 1.298          | 22                   |
| Convenient branch locations                     |                   | 4.70 | .951           | 01                   |
| Bank has sufficient branches                    |                   | 4.37 | .897           | 10                   |
| Any bank branch banking                         |                   | 3.25 | 1.342          | 23                   |
|   |                   | 3.89 |                |                      |
| <b>Factor 3 - Assurance</b>                     |                   |      |                |                      |
| Low services charges                            | 256               | 4.50 | .980           | 07                   |
| Bank provide good interest rate                 |                   | 4.25 | .926           | 14                   |
| Low interest rate on loan                       |                   | 3.49 | 1.376          | 19                   |
| Ease of opening account                         |                   | 4.69 | .875           | 02                   |
| Ease of obtaining loans                         |                   | 3.22 | 1.514          | 24                   |
| The bank has a debit card facility              |                   | 3.21 | 1.498          | 25                   |
| The bank has a credit card facility             |                   | 3.20 | 1.521          | 26                   |
|   |                   | 3.79 |                |                      |
| <b>Factor 4 - Accessibility</b>                 |                   |      |                |                      |
| Bank has ATM facility                           |                   | 4.53 | .896           | 06                   |
| Convenient ATM locations                        |                   | 4.59 | .965           | 04                   |

|  |     |      |       |    |
|--|-----|------|-------|----|
| 24hours availability of ATM services             | 256 | 3.28 | 1.523 | 21 |
| Bank has a speedy service                        |     | 3.78 | 1.397 | 17 |
| Bank has a internet banking facility             |     | 4.29 | .994  | 12 |
| Interior decor of building                       |     | 3.48 | 1.531 | 20 |
|  |     | 3.99 |       |    |
| <b>Factor 5 - Responsiveness</b>                 |     |      |       |    |
| The employees in the bank friendly and courteous | 256 | 4.15 | .986  | 15 |
| Knowledge, skill and expertise of staff          |     | 3.15 | 1.558 | 28 |
| Employees dress and appearance                   |     | 3.18 | 1.597 | 27 |
| Friendly/ Pleasing manners of staff              |     | 4.26 | .999  | 13 |
| Good complaint handling                          |     | 4.32 | .957  | 11 |
|  |     | 3.81 |       |    |

From the Table 4, it is clear that convenient branch location has got the highest priority with mean value of 4.70, Ease of opening account (4.69), Age of bank(4.68) and Convenient ATM locations (4.59), Bank has a good reputation (4.55) of the banks are the most five important factors to the customers as they have higher mean value. The customers rated high as they considered them very much important. Bank has ATM facility (4.53), Low services charges (4.5), Bank has a reasonable bank charge (4.45), Safety of funds in terms of good financial base (4.38), Bank has sufficient branches (4.37), Good complaint handling (4.32), Bank has a internet banking facility (4.29), Friendly/ Pleasing manners of staff (4.26), Bank provide good interest rate (4.25), The employees in the bank friendly and courteous (4.15) are also important to customers as moderate variables before selecting bank.

On the other hand, the customers give less attention to the variables such as Available parking space nearby (3.89), Bank has a speedy service (3.78), Bank has a good security management (3.72), Low interest rate on loan (3.49), Interior decor of building (3.48), 24hours availability of ATM services (3.28), Bank has phone banking facility (3.26), Any bank branch banking (3.25), Ease of obtaining loans (3.22), The bank has a debit card facility (3.21), The bank has a credit card facility (3.20), Employees dress and appearance (3.18), Knowledge, skill and expertise of staff (3.15) when they choose banks.

Table 3: Gender disparity of choice criteria among the respondents.

|    | FACTOR         | Male (Mean) | Female (Mean) |
|----|----------------|-------------|---------------|
| 1. | Reliability    | 3.65        | 4.73          |
| 2. | Convenience    | 4.45        | 3.98          |
| 3. | Assurance      | 3.58        | 4.27          |
| 4. | Accessibility  | 4.79        | 3.97          |
| 5. | Responsiveness | 3.56        | 4.12          |

Table 4: Age disparity of choice criteria among the respondents.

|    | FACTOR      | 18-25 years (Mean) | 25-35 years (Mean) | 35-45 years (Mean) | 45 & above (Mean) |
|----|-------------|--------------------|--------------------|--------------------|-------------------|
| 1. | Reliability | 4.93               | 4.12               | 4.15               | 4.81              |
| 2. | Convenience | 4.18               | 4.72               | 4.64               | 4.92              |

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|    |                |      |      |      |      |
|----|----------------|------|------|------|------|
| 3. | Assurance      | 4.25 | 3.39 | 3.98 | 3.95 |
| 4. | Accessibility  | 3.92 | 4.35 | 4.20 | 3.17 |
| 5. | Responsiveness | 4.28 | 3.29 | 3.29 | 3.98 |

*Table 5: Marital status disparity of choice criteria among the respondents.*

|    | FACTOR         | Single (Mean) | Married (Mean) | Divorced/Separated (Mean) |
|----|----------------|---------------|----------------|---------------------------|
| 1. | Reliability    | 3.95          | 4.19           | 4.59                      |
| 2. | Convenience    | 4.73          | 4.50           | 3.78                      |
| 3. | Assurance      | 4.54          | 4.75           | 4.38                      |
| 4. | Accessibility  | 4.90          | 4.13           | 3.60                      |
| 5. | Responsiveness | 3.59          | 3.19           | 4.62                      |

*Table 6: Education level disparity of choice criteria among the respondents.*

|    | FACTOR         | Below SSC (Mean) | SSC (Mean) | HSC (Mean) | Graduate (Mean) | Post Graduate (Mean) |
|----|----------------|------------------|------------|------------|-----------------|----------------------|
| 1. | Reliability    | 4.14             | 4.07       | 4.37       | 3.97            | 4.09                 |
| 2. | Convenience    | 3.54             | 4.87       | 4.45       | 4.95            | 4.73                 |
| 3. | Assurance      | 4.72             | 3.98       | 3.91       | 3.95            | 3.92                 |
| 4. | Accessibility  | 3.12             | 3.89       | 4.13       | 4.47            | 4.21                 |
| 5. | Responsiveness | 4.12             | 4.57       | 4.59       | 4.63            | 4.89                 |

*Table 7: Occupation level disparity of choice criteria among the respondents.*

|    | FACTOR         | Student (Mean) | Service holder (Mean) | Business man (Mean) | House wife (Mean) | Others (Mean) |
|----|----------------|----------------|-----------------------|---------------------|-------------------|---------------|
| 1. | Reliability    | 4.32           | 4.48                  | 4.15                | 4.70              | 4.17          |
| 2. | Convenience    | 3.12           | 4.33                  | 4.92                | 3.95              | 3.33          |
| 3. | Assurance      | 3.86           | 3.98                  | 3.91                | 4.10              | 3.56          |
| 4. | Accessibility  | 4.43           | 3.97                  | 4.59                | 3.12              | 4.11          |
| 5. | Responsiveness | 3.68           | 3.52                  | 4.10                | 3.98              | 3.85          |

*Table 8: Income level disparity of choice criteria among the respondents.*

|    | FACTOR         | TK. below 12,000 (Mean) | TK. 12,000-25,000 (Mean) | TK. 25,000-40,000 (Mean) | TK. 40,000-50,000 (Mean) | TK. 50,000-Above (Mean) |
|----|----------------|-------------------------|--------------------------|--------------------------|--------------------------|-------------------------|
| 1. | Reliability    | 4.48                    | 4.42                     | 3.96                     | 3.67                     | 4.17                    |
| 2. | Convenience    | 4.19                    | 4.35                     | 4.56                     | 4.83                     | 4.66                    |
| 3. | Assurance      | 4.45                    | 4.93                     | 3.98                     | 3.74                     | 3.95                    |
| 4. | Accessibility  | 3.44                    | 3.96                     | 4.55                     | 4.57                     | 4.76                    |
| 5. | Responsiveness | 3.59                    | 3.48                     | 3.10                     | 3.87                     | 3.69                    |

*Table 9: Types of bank respondents use disparity of choice criteria among the respondents.*

|    | FACTOR         | Public Bank (Mean) | Private Bank (Mean) |
|----|----------------|--------------------|---------------------|
| 1. | Reliability    | 4.96               | 3.88                |
| 2. | Convenience    | 3.39               | 4.37                |
| 3. | Assurance      | 4.78               | 3.75                |
| 4. | Accessibility  | 3.14               | 4.76                |
| 5. | Responsiveness | 3.11               | 3.57                |

## 6. Analysis and Result

**6.1. Bank attributes importance across demographic profiles:** In looking at the bank attributes importance, the results of test of differences (P- value) against various demographic characteristics are summarized in Table-11. Student T- test has been used to compare the importance of attributes with gender, as there are only groups of respondents, whereas for other demographic variables, one way ANOVA has been used as they involve more than two groups.

The overall findings exhibited that different demographic factors do not generally influence the way the respondents ranked the importance of the five factors of bank attributes. There are however, certain groups of respondents who consider assurance and accessibility as important attributes in their patronage decisions. Respondents in the over 50 years old category consider efficiency of a bank as the most important determinant followed by those in the 45-50 years old and 25-35 years old categories. Those respondents of the 18-30 years old category rated efficiency of the least important in their choice of bank. The convenience dimension was considered most important by university educated respondents and professionals, followed by the respondents with diploma and secondary education. Primary school leavers considered convenience as the least important attribute in their bank patronage.

Specially, there are statistically significant differences in reliability across age ( $p < .05$ ), across education level ( $p < .10$ ) and across marital status ( $p < .05$ ). On assurance dimension, significant differences are found with age ( $p < .10$ ), education level ( $p < .05$ ), and marital status ( $p < .05$ ). Convenience and responsiveness showed significant differences with income ( $p < .10$ ) and age ( $p < .10$ ) respectively. These findings provide partial support for our assumption (hypothesis 1) that differences in attribute importance are found between various profiles of consumers.

Table 10: Bank attributes importance across demographic variation (p values of T- Test and One way ANOVA)

| Factors        | Gender | Age    | Marital status | Education level | Occupation | Income level | Bank Use |
|----------------|--------|--------|----------------|-----------------|------------|--------------|----------|
| Reliability    | .412   | .048   | .009           | .087**          | .569       | .0569        | .679     |
| Convenience    | .596   | .092** | .138           | .418            | .473       | .098**       | .496     |
| Assurance      | .617   | .092** | .048           | .035            | .921       | .953         | .957     |
| Accessibility  | .716   | .379   | .398           | .329            | .943       | .547         | .974     |
| Responsiveness | .786   | .089** | .384           | .275            | .179       | .096**       | .257     |

p < 0.05 level    \*\*p < 0.10 level

**6.2. Relative importance of bank patronage dimensions:** The relative of the five bank patronage dimensions is summarized in Table-10 below. Clearly, the sample indicates that reliability is of highest importance, almost 1.0 (one) point more important than assurance and responsiveness influence and slightly more than accessibility as important as convenience facilities, in influencing their choice of bank.

*Table 11: Relative importance of the bank patronage dimensions*

| Dimension      | Mean | Overall Ranking | Standard Deviation |
|----------------|------|-----------------|--------------------|
| Reliability    | 4.36 | 1               | .934               |
| Convenience    | 3.89 | 3               | .995               |
| Assurance      | 3.79 | 5               | 1.324              |
| Accessibility  | 3.99 | 2               | 1.256              |
| Responsiveness | 3.81 | 4               | 1.532              |

## **7. Summary and Conclusion**

Bangladeshi banks are now operating under a more competitive financial atmosphere and rendering a wider variety of financial services. The purpose of this research is to determine the important factors that bank's customers perceive as useful to their selection of banks in Bangladesh. The importance of this study can be seen from two perspectives: theoretical and practical. Theoretically, this study fills an important gap in the literature, which is, investigating bank selection criteria for customers in Bangladesh. As a result, the findings of this study can add to the limited body of knowledge in the bank marketing literature and can serve as a reference on which future studies can be built. On the practical side, this study can assist bank managers to identify the important factors that may determine bank selection decisions among customers. Such information should help the management of banks in devising suitable marketing strategies for reaching, attracting and retaining customers. This study has investigated the determinants of banks selection criteria by customers. Their responses on the importance of 28 different factors while choosing a bank were sought and analyzed. The findings of the study reveal that the safety of funds (Reliability) and the availability of technology based service(s) (Accessibility) are the major reasons for customers' choice of banks. In specific terms, it identified safety of funds, reputation, age of the bank, quick/prompt service, good complaint handling, any branch banking, innovative products & services, low/reasonable service-charges, and friendly/pleasing manners of staff as the major factors in a bank selection by the sampled respondents. The number of branches, closeness to home/work place etc., transactions alert and regular communication with customers, availability of functional and secured ATMs all times, and connectivity to other bank's ATMs are also considered to be another of the important choice determinants. While all the other factors received less rating, however, this does not in any way imply that they are not important at all. The conclusion of the study therefore is that the major factors that bank customers in Bangladesh considered as important in their bank selection have been to a large extent identified. It is therefore recommended that banks should take proper cognizance of these factors as a guide in designing their future strategies for competitive advantage.

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## PROFITABILITY POSITION OF SELECTED COMMERCIAL BANKS IN BANGLADESH

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**Abstract.** At present, private commercial banks are prevalent in respect of market share and profitability in the banking industry of Bangladesh. The profit growth of these banks seems to be very high. The objective of the study is to analyze the profitability position and to measure the differences in profitability of selected commercial banks in Bangladesh. The study includes as profitability ratios: interest spread, net profit margin, return on net worth and return on net asset. In this study, various statistical tools such as mean, standard deviation, coefficient of variation and ANOVA have been used for data analysis. The collective and individual bank's average profitability ratios show a fluctuating trend which indicates that there is a variation in profitability ratios among the banks. This paper concludes that the profitability position of the selected commercial banks in Bangladesh is not consistent during the study period. The bank should focus more on diversification of incomes and should also reduce operating expenses in order to enhance profitability position.

**Keywords:** Banks Profitability, Interest Spread, Net Profit Margin, Net Worth, Net Asset.

### 1. Introduction

Banking system plays a very monumental role in the economic development of the nation. The health of the economy is nearly related to the wellness of its banking system. In a developing country like Bangladesh the banking system as a whole play an indispensable role in the enhancement of economic development. Banking is now an essential part of our economic system. Modern trade and commerce would almost be

implausible without the availability of suitable banking services. First of all, banking promotes savings. All manner of people, from the ordinary laborers and workers to the rich landowners and businessmen, can keep their money safely in banks. So a bank is a financial intermediary. It channels the funds from the surplus unit to the deficit unit continuously. It is expected that for a sustainable intermediation function, banks need to be profitable.

The primary objective of each business enterprise is to earn profit. In fact, profit earning is considered essential not only for the survival of business, but is also required for its expansion and diversification. One of the most frequently used tools of financial ratio analysis is profitability ratios which are used to determine the company's bottom line and its return to its investors. Profitability ratios are typically based on net earnings, but variations will occasionally use cash flow or operating earnings. Profitability is a measure of efficiency and control. Profitability is the main base for liquidity as well as solvency (Singh, 2015). By contrast, poor performance of the banks can cause problems like bank failure which can demolish the confidence in banking system & hence cause economic slowdown. Creditor's banks and financial institutions are interested in profitability ratios since they indicate liquidity or the capacity of the business to meet interest obligation and regular and improved profit to enhance the long term solvency position of the business.

Profitability is a measure of firm's efficiency (Khan & Jain, 1998). It is also a control measure of the earning power of a firm as well as operating efficiency. Weston & Copland (1998) described profitability as the net result of a large number of policies and decisions. Ratios are used to measure profitability, and these give final answers about how effectively the firm is being managed. Therefore, management, creditors and owner of the company are also interested in the profitability ratio of the firm (Pandey, 1995).

### **1.1 Objectives of the Study**

The main objectives of this study are as follows:

- a) To analyze the profitability position of selected commercial banks in Bangladesh.
- b) To assess the variations in profitability of selected commercial banks in Bangladesh.

## **2. Review of Literature**

Singh (2015) evaluated the profitability position of a private bank in India. The study indicated that all the selected private sector banks were found to be different in terms of total assets, interest spread, and net worth ratio and efficiency factors & there is also difference between the mean value of interest spread, net profit margin, return on long term fund, return on net worth & adjusted cash margin and there is no difference among the mean value of return on asset of private banks. So profitability ratios are

employed by the management in order to assess how efficiently they carry on their business operations and also it is suggested for the entire bank to take effective steps to improve the operating efficiency of the business.

Jahangir, Shill & Haque (2007) examined the profitability in the context of Bangladesh banking industry. Loans are the riskiest asset of a bank, but these loans play a pivotal role in banks' profitability. Banks' profitability depends on the results of some parameters and among them Bank Return on Equity, Market Size, Market Concentration Index, and Bank Risk Measure are widely used and the same are investigated in the Bangladesh Banking Industry in this study for a period of the last six years. The analysis finds that market concentration and bank risk do little to explain bank return on equity, whereas bank market size is the only variable providing an explanation for banks return on equity in the context of Bangladesh.

Mahmud, Mallik, Imtiaz & Tabassum (2016) analyzed the bank specific variables that affect the profitability of commercial banks of Bangladesh. A total of 15 commercial banks were taken & their financial reports were analyzed from 2003-2013. The study used return on asset as the dependent variable & bank specific variables like capital adequacy ratio, gearing ratio (risk), liquidity, non-performing loan ratio, operating expense ratio & bank size as independent variables. The results indicated that size, operating expense, gearing ratio & capital were found to be important variables that affect the bank profitability of Bangladesh.

Ramchandran & Kavitha (2009) made an attempt to analyze the profitability of the Indian scheduled commercial banks by covering all the Indian Scheduled Commercial Banks, which have been divided into three groups viz., the SBI group, the Nationalized Banks group and the Private Banks group with two sessions, i.e., Period I and Period II by dividing the 10 year-study period into the first five years and the last five years. The step-wise multiple regression analysis was adopted for the study. An analysis of the SBI group reveals that in both the periods of study, the variable provisions and contingencies to total expenses occupied a prominent place. The nationalized banks group showed a position of provisions and contingencies to total expenses in the first half of the study period and Capital Adequacy Ratio (CAR) during the second half of the study period. In relation to the private banks group, it has changed from other interest expenses ratio to capital adequacy ratio.

Tulsian (2014) analyzed the profitability ratios are calculated to enlighten the end result and comparison of business firms which is the sole criterion of overall efficiency of business concern. The main purpose of a business unit is to make profit. The profitability analysis is done to throw light on the current operating performance and efficiency of business firms. It should be duly noted that net income figure alone is not very helpful in determining the efficiency and performance of the business firm unless it is related to some other figures such as sales, cost of goods sold, operating expenses, capital invested etc.

Adhikari, Barman & Kashyap (2014) the study conducted the profitability of state bank of India. The paper attempts to analyze the profitability of State bank of India for the period of seven years. Apart from studying the trend of different components of both income and expenditure, performance of the bank has been analyzed with the parameters like OPTWF, ROA, ROE, ROI and EPS. There is a significant difference not only between the components of income, but also across the components of expenditure. The paper concludes that the profitability performance of the SBI is not consistent during the study period. The bank should focus more on diversification of income and should also curtail operating expenses in order to improve profitability performance.

Prasad & Ravinder (2011) stated that profitability of four major banks in India i.e. SBI, PNB, ICICI bank and HDFC bank for the period 2005-06 to 2009-2010. Statistical tools like the arithmetic mean, one way ANOVA test have been employed for the purpose of study. the profitability of these banks have been evaluated by using various parameters like operating profit margin gross profit margin net profit margin earning per share return on equity return on assets prices earnings ratio and dividend payout ratio. The study revealed that SBI performed better in terms of earning per share and dividend payout ratio, while PNB performed in terms of operating profit margin and return on equity. The study found that HDFC bank outperformed in terms of gross profit margin, net profit margin, return on assets and price earnings ratio. The study evidenced that ICICI Bank paid highest portion of earnings as dividends to shareholders. Analysis ranked HDFC Bank on the top position followed by PNB SBI and ICICI Bank.

Rahman (2016) analyzed the financial performance analysis of Scheduled Commercial Banks in Bangladesh. The purpose of this study is to provide a comprehensive financial performance evaluation of scheduled commercial banking companies in Bangladesh. The financial performance issue has been grouped into profitability ratio, market ratio, and value added metrics for the assessment of internal based, market -based, and economic based performance respectively. Ranking of banks has been done on the basis of financial performance in the period of 2015; and it has been found that Dutch Bangla Bank Ltd. is one of the leading banks. The study findings have revealed that most of the banks except a few have shown poor economic performance, negative economic value added (EVA), and undervalued market price per share. The study findings have also shown the significant correlation between “EVA and Profitability Ratio” and “EVA and Market Ratio”, and termed EVA as an independent measure of performance. So, the study findings may provide useful guidance for trade creditors, management for banks, and the general investors.

Joshi & Khullar (2013) stated that the financial viability of banks largely depends on the adequacy of profits and profitability. The aim of this study is to identify the determinants of profitability of major Scheduled Commercial Banks in India. The data is related to the year 2009-10. The result of the empirical study showed the low profitable banking groups the major determinants of profitability are profit per employee, Non-

Interest Income/Total Assets, Wage Bill/Total Assets. Similarly for the High Profitable group the major determinants of profitability are Non-Interest Income/Total asset, Wage Bill/Total expense, Capital Adequacy Ratio, and Non-Performing Assets.

Damankah, Anku-Tsede, & Amankwaa (2014) analyzed the non-interest income of commercial banks in Ghana. This paper identifies and discusses some factors in common with banks that engage in non-interest earning activities in Ghana. It was found that smaller banks are more involved in non-interest earning activities, relative to their larger counterparts. Higher interest income, customer deposits, exposure to risk and liquidity are also found to be common factors among banks in Ghana that concentrate more non-interest income generation. The Central Bank's Prime rates also affect banking operations and is positively related to bank's engagement in nontraditional activities. These results have implications for bank regulators, who must institute regulations toward harmonizing the various sources of bank income as against likely exposures to risk.

### **3. Methodology of the Study**

This study was based mainly on data from secondary sources. The relevant data and information were collected from review of annual report and websites of respective banks. Five most recent fiscal years from 2010-2011 to 2014-2015 has been selected to analyze the profitability position of the sample banks. Profitability of the selected banks for study has been analyzed with the help of ratio analysis. Under 4 profitability ratios i.e. interest spread, net profit margin, return on net worth and return on net asset. The selected commercial banks are National Bank limited (NBL), Dhaka Bank Limited (DBL), Islamic Bank Bangladesh Limited (IBBL) and Social Islamic Bank Limited (SIBL). In this study secondary data has been collected, tabulated, graphed and analyzed by using various statistical tools (i.e.) mean, standard deviation, coefficient of variation and ANOVA test have been used for data analysis.

#### ***Hypothesis***

ANOVA is a particular form of statistical hypothesis testing heavily used in the analysis of experimental data. A test result is called statistically significant if it is deemed unlikely to have occurred by chance, assuming the truth of the null hypothesis. A statistically significant result, when a probability is less than a significance level, justifies the rejection of the null hypothesis, but only if the a priori probability of the null hypothesis is not high.

$H_0: \mu_1 = \mu_2 = \mu_3 = \mu_4$  (There is no difference between profitability of samples company)

$H_1: \mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4$  (There is difference between profitability of Samples Company)

## 4. Results and Discussion

### 4.1. Interest Spread

Interest spread is the difference between the average lending rate and the average borrowing rate for a bank or other financial institution. This is very similar to interest margin. Changes in the spread are an indicator of profitability as the spread is where a bank makes its money. The equation to calculate interest spread is:

Interest Spread = (Total interest income – Total interest expenses) / Average working fund

Table-1: Interest Spread of Selected Commercial Banks from 2010-11 to 2014-15

| Year      | NBL  | DBL  | IBBL | SIBL | Industry Mean |
|-----------|------|------|------|------|---------------|
| 2010-2011 | 2.74 | 2.23 | 2.50 | 2.82 | 2.57          |
| 2011-2012 | 2.64 | 2.07 | 4.79 | 3.28 | 3.20          |
| 2012-2013 | 1.18 | 2.30 | 3.16 | 3.12 | 2.44          |
| 2013-2014 | 1.60 | 1.78 | 2.84 | 5.54 | 2.94          |
| 2014-2015 | 1.05 | 1.14 | 2.66 | 4.12 | 2.24          |
| Mean      | 1.84 | 1.90 | 3.19 | 3.78 | 2.68          |
| S.D.      | 0.80 | 0.47 | 0.93 | 1.10 | 0.39          |
| C.V.      | 0.43 | 0.25 | 0.29 | 0.29 | 0.14          |

Source: Compiled from annual reports of respective banks

The above table 1 exhibits the interest spread of selected private commercial banks in Bangladesh. The collective average of interest spread of sample banks from 2010-2011 to 2014-2015 was 2.68 percent. The collective and individual banks average interest spread shows a fluctuating trend. The average interest spread of SIBL and IBBL was higher than collective average implies that they were better than industry. The average interest spread of NBL and DBL was lower than collective average implies that their position not better than industry. There was a variation of interest spread among the banks (Table-2 & Fig. 1). This is confirmed by the coefficient of variations and hypothesis which is stated that there is significant variation between interests spread among the selected banks.

Figure-1: Interest Spread of Selected Commercial Banks from 2010-11 to 2014-15

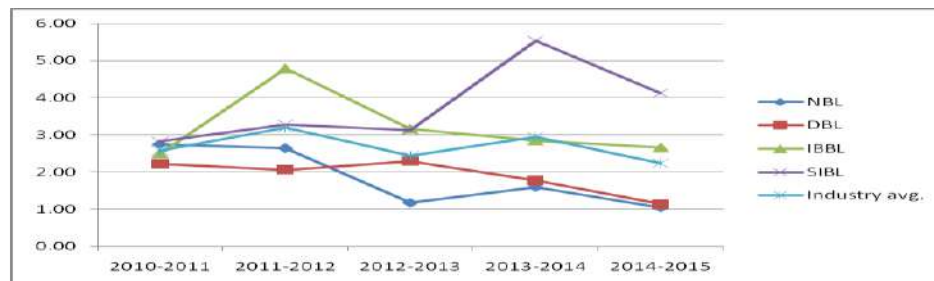


Table-2: ANOVA, Interest Spread

|                | Sum of Squares | df | Mean Square | F     | Sig. |
|----------------|----------------|----|-------------|-------|------|
| Between Groups | 13.829         | 3  | 4.610       | 6.294 | .005 |
| Within Groups  | 11.718         | 16 | .732        |       |      |
| Total          | 25.546         | 19 |             |       |      |

#### 4.2. Net Profit Margin

Net profit margin is the ratio of net profits to revenues for a company or business segment. The net profit margin is a number which indicates the efficiency of a company at its cost control. A higher net profit shows more efficiency of the company at converting its revenue in to actual profit. The equation to calculate net profit margin is: Net Profit Margin = Net Profit / Revenue.

Table-3: Net Profit Margin of Selected Commercial Banks from 2010-11 to 2014-15

| Year      | NBL   | DBL   | IBBL  | SIBL  | Industry Mean |
|-----------|-------|-------|-------|-------|---------------|
| 2010-2011 | 31.79 | 34.77 | 16.85 | 23.69 | 26.78         |
| 2011-2012 | 11.56 | 14.05 | 21.91 | 23.55 | 17.77         |
| 2012-2013 | 18.66 | 29.69 | 19.70 | 14.51 | 20.64         |
| 2013-2014 | 20.86 | 29.59 | 14.60 | 99.38 | 41.11         |
| 2014-2015 | 28.93 | 21.43 | 11.22 | 98.73 | 40.08         |
| Mean      | 22.36 | 25.91 | 16.86 | 51.97 | 29.27         |
| S.D.      | 8.13  | 8.17  | 4.20  | 43.14 | 10.84         |
| C.V.      | 0.36  | 0.32  | 0.25  | 0.83  | 0.37          |

Source: Compiled from annual reports of respective banks

The above table 3 shows the net profit margin of selected private commercial banks in Bangladesh. The collective average of net profit margin of sample banks from 2010-2011 to 2014-2015 was 29.27 percent. The collective and individual banks average net profit margin shows a fluctuating trend. The average net profit margin of SIBL was higher than collective average implies that SIBL was better than industry. The average net profit margin of NBL, DBL and IBBL was lower than collective average implies that their condition not better than industry. There was a variation of net profit margin among banks (Table-4 & Fig. 2). This is confirmed by the coefficient of variations and hypothesis which is stated that there is significant variation between net profit margin among the selected banks.

Figure-2: Net Profit Margin of Selected Commercial Banks from 2010-11 to 2014-15

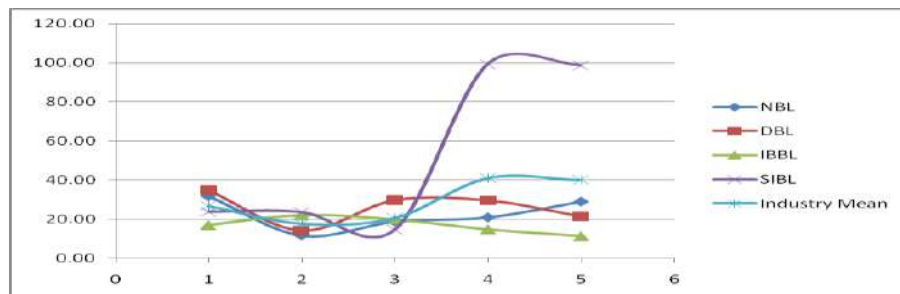


Table-4: ANOVA, Net Profit Margin

|                | Sum of Squares | df | Mean Square | F     | Sig. |
|----------------|----------------|----|-------------|-------|------|
| Between Groups | 3642.764       | 3  | 1214.255    | 2.414 | .105 |
| Within Groups  | 8047.128       | 16 | 502.945     |       |      |
| Total          | 11689.891      | 19 |             |       |      |

#### 4.3. Return on Net Worth

Return on Net Worth (RONW) is used in finance as a measure of a company's profitability. It reveals how much profit a company generates with the money that the equity shareholders have invested. Therefore it is also called Return on Equity (ROE). This ratio is useful for comparing the profitability of a company to that of other firms in the same industry. It is expressed as:

$$\text{RONW} = (\text{Net Income} / \text{Shareholders Equity}) \times 100$$

Table-5: Return on Net Worth of Selected Commercial Banks from 2010-11 to 2014-15

| Year      | NBL   | DBL   | IBBL  | SIBL  | Industry Mean |
|-----------|-------|-------|-------|-------|---------------|
| 2010-2011 | 23.35 | 23.50 | 0.59  | 12.83 | 15.07         |
| 2011-2012 | 6.40  | 8.06  | 1.30  | 12.87 | 7.16          |
| 2012-2013 | 8.76  | 16.45 | 11.31 | 7.27  | 10.95         |
| 2013-2014 | 9.99  | 15.92 | 8.58  | 5.90  | 10.10         |
| 2014-2015 | 11.61 | 10.74 | 6.66  | 4.53  | 8.39          |
| Mean      | 12.02 | 14.93 | 5.69  | 8.68  | 10.33         |
| S.D.      | 6.61  | 5.95  | 4.64  | 3.93  | 3.03          |
| C.V.      | 0.55  | 0.40  | 0.82  | 0.45  | 0.29          |

Source: Compiled from annual reports of respective banks

The above table 5 indicates the return on net worth of selected private commercial banks in Bangladesh. The collective average of return on net worth of sample banks from 2010-2011 to 2014-2015 was 10.33 percent. The collective and individual banks average return on net worth shows a fluctuating trend. The average return on net worth of NBL and DBL was higher than collective average implies that they were better than industry. The average return on net worth of IBBL and SIBL was lower than collective average implies that their position not better than industry. There was a variation of return on net worth among banks (Table-6 & Fig. 3). This is confirmed by the coefficient of variations and hypothesis which is stated that there is significant variation between return on net worth among the selected banks.

Figure-3: Return on Net Worth of Selected Commercial Banks from 2010-11 to 2014-15

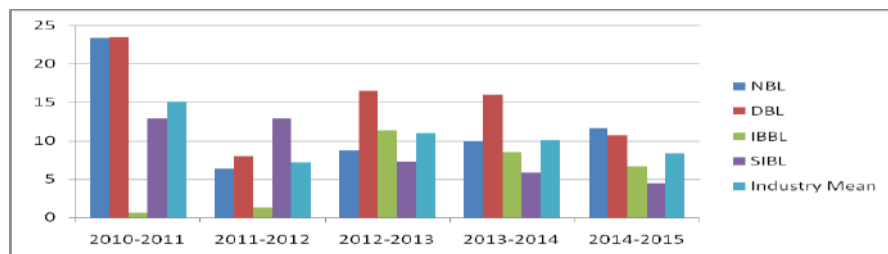


Table-6: ANOVA, Return on Net Worth

*Profitability Position of Selected Commercial Banks in Bangladesh*

|                | Sum of Squares | df | Mean Square | F     | Sig. |
|----------------|----------------|----|-------------|-------|------|
| Between Groups | 241.652        | 3  | 80.551      | 2.776 | .075 |
| Within Groups  | 464.235        | 16 | 29.015      |       |      |
| Total          | 705.887        | 19 |             |       |      |

#### 4.4. Return on Net Asset

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. The return on assets ratio is also known as return on investment. A high ROA indicates that management is effectively utilizing the company's assets to generate profit. The formula for return on assets is:

$$\text{Return on Assets (ROA)} = (\text{Net profit/Total assets}) \times 100$$

Table-7: Return on Net Asset of Selected Commercial Banks from 2010-11 to 2014-15

| Year      | NBL  | DBL  | IBBL | SIBL | Industry Mean |
|-----------|------|------|------|------|---------------|
| 2010-2011 | 2.26 | 2.07 | 0.58 | 1.13 | 1.51          |
| 2011-2012 | 0.70 | 0.59 | 1.22 | 1.14 | 0.91          |
| 2012-2013 | 0.89 | 1.36 | 0.90 | 0.64 | 0.95          |
| 2013-2014 | 1.04 | 1.28 | 0.61 | 5.90 | 2.21          |
| 2014-2015 | 1.37 | 0.81 | 0.43 | 4.53 | 1.79          |
| Mean      | 1.25 | 1.22 | 0.75 | 2.67 | 1.47          |
| S.D.      | 0.61 | 0.57 | 0.31 | 2.38 | 0.55          |
| C.V.      | 0.49 | 0.47 | 0.42 | 0.89 | 0.38          |

Source: Compiled from annual reports of respective banks

The above table 7 exhibits the return on net asset of selected private commercial banks in Bangladesh. The collective average of return on net asset of specimen banks from 2010-2011 to 2014-2015 was 1.47 percent. The collective and individual banks average return on net asset shows a fluctuating trend. The average return on net asset of SIBL was higher than collective average implies that SIBL was better than industry. The average return on net asset of NBL, DBL and IBBL was lower than collective average implies that their position not better than industry. There was a variation of return on net asset among banks (Table-8 & Fig. 4). This is confirmed by the coefficient of variations and hypothesis which is stated that there is significant variation between return on net asset among the selected banks.

Figure-4: Return on Net Asset of Selected Commercial Banks from 2010-11 to 2014-15

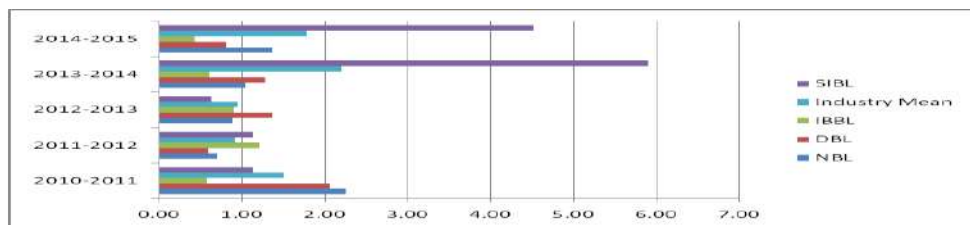


Table-8: ANOVA, Return on Net Asset

|                | Sum of Squares | df | Mean Square | F     | Sig. |
|----------------|----------------|----|-------------|-------|------|
| Between Groups | 10.327         | 3  | 3.442       | 2.123 | .137 |
| Within Groups  | 25.942         | 16 | 1.621       |       |      |
| Total          | 36.269         | 19 |             |       |      |

## 5. Findings and Conclusion

The progress of commercial banks has started in Bangladesh in the year 1982-1983. After investiture of the private commercial banks play a vital role in the economic development of the country. The motive of the study was to analyze the profitability condition and to measure the differences in profitability of selected commercial banks in Bangladesh. In the study, bank profitability was measured by the ratio analysis i.e. interest spread, net profit margin, return on net worth and return on net asset. The study indicated that all the selected commercial banks were found to be different in terms of interest spread, net profit margin, return on net worth and return on asset ratios and there is also difference among the mean value of interest spread, net profit margin, return on net worth and return on asset. The study found that the profitability condition of the selected commercial banks in Bangladesh was not compatible during the study period. The bank should concentrate more on diversification of earnings and should also minimize operating expenses in order to increase profitability. So profitability ratios are employed by the management in order to assess how efficiently they carry on their business operations and also it is suggested for the entire bank to take effective steps to improve the operating efficiency of the business.

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## GREEN FINANCING OF SOME SELECTED COMMERCIAL BANKS IN BANGLADESH: AN EVALUATION

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**Abstract.** The concept of green financing is gaining increasing popularity day by day. The objectives of the study are to find out the extent of green financing of commercial banks in Bangladesh. The study is based on mainly the publications of Bangladesh banks and selected commercial banks. The findings of the study are that Bangladesh bank has taken nice efforts for green financing activities in cooperation with commercial banks and other financial institutions in Bangladesh. There has been an increasing trend in the volume of such financial activities and the socioeconomic benefits of the same are also highly satisfactory. Commercial banks should try to develop their operational efficiency so that increasing green financing efforts.

**Keywords:** Green Finance, Socioeconomic Benefit, Commercial Bank, Bangladesh

### 1. Introduction

Bangladesh Bank (BB) developed a Green Banking Policy in 2011. The Green Banking Policy is considered as one of the tools of ensuring sustainable development of the environment and securing the ecological system by minimizing negative impacts of economic activities. Green banking is significant in Bangladesh for effective and efficient use of resources in the future. Currently, commercial banks are engaged in various green financing activities as per the directives of Bangladesh Bank. In this connection, Bangladesh Bank circulated a policy guidelines for Green Banking, vide BRPD Circular No. 02 dated 27, February 2011. The Guidelines segregated the Green Banking activities for implementing in 03 (three) phases. 1st Phase time lining was within 31st December 2011. 2nd phase is within 31st December 2012. 3rd phase will be within

31st December 2013. Bangladesh Bank declared the following preferential treatments for the compliant banks: i. Points will be awarded on Management component while computing CAMELS rating resulted ultimately in overall rating of the bank. ii. Top 10 (ten) Banks' name will be declared in the Bangladesh Bank website. iii. Consideration will be given while according permission for opening new Branch of the Bank. They suggested that banks should financing in the Eco friendly business activities and energy efficient industries Renewable energy project, Clean water supply project, Waste water treatment plant , Solid & hazardous waste disposal plant, Bio-gas plant, Bio-fertilizer plant etc. To promote environmental practices applying consumer finance program, Creation of Climate Risk Fund should be raised. Finance in economic activities of the flood, cyclone and drought prone areas without charging additional risk premium should be done. Arrangement of employee awareness, development and training program on environmental and social risk, more intensive programs should be taken (Ahmed, Jobair, & Azad (2013).

### ***1.1 Objectives of the Study***

The main objective of this paper is to evaluate “Green Financing of Commercial Banks in Bangladesh”

The following are the specific objectives set to expand the primary objective.

- a) To examine the specific areas of green banking initiatives taken by Bangladesh Bank.
- b) To examine the nature of green financing performance of selected commercial banks
- c) To find out the problems of green financing of commercial banks in Bangladesh.

### ***1.2 Rationale of the Study***

To implement green banking in Bangladesh, scheduled banks must follow the policy as guideline issued by the Bangladesh Bank. Specific deadline should be followed mentioned in the policy guidelines for effective implementation of green banking. Green banking considers all the social and environmental factors along with financial priorities with an aim to protect the environment as well as to foster the economic development in a more environment friendly way (Ahmad, Zayed, & Harun, 2013). It is an opportunity to make a positive contribution to environmental and social concerns by creating policies designed so that the business operations do not degrade the environment or is not harmful to society. It covers a multitude of areas from a bank being environmentally friendly to how their money is invested. Bangladesh is at a vulnerable stage in terms of climate change. In line with global development and response to the environmental degradation, the financial sector in Bangladesh should play an important role as one of the key stakeholders. The banking sector in Bangladesh took steps in this regard particularly in the field of green financing but the activities gained new momentum after the issuance of policy guidelines for Green banking. As a consequence, the study investigates the present status of green banking in Bangladesh.

## **2. Methodology**

Three commercial banks mainly Janata Bank Limited, Uttara Bank limited and Islami Bnk Bangladesh Limited. Banks are selected on the basis availability of data. This article is mainly based on secondary data collected from several reliable sources. The sources of secondary data are annual reports of Bangladesh Bank and various Commercial Banks, and related articles. In addition, the data is also collected from companies' corporate profiles, daily newspapers, different journals & articles, banks' websites and the Bangladesh Bank's websites. The data are analyzed relatively to practices and problems of green banking. The findings of the study are as reliable as the authentic sources of data. The major limitation of the study is that no primary data is involved in the study.

## **3. Review of Literature**

Chowdhury, Arshad & Mouri ( 2016) discussed in their article, “Green Practices in Bangladesh” that green banking can also increase the good will of the organization and promote a 'green and social consciousness image' in the community. They found out that projects having ETP are growing significantly for PCBs, FCBs and SDBs during the second quarter of 2012. Projects of only ETP, Solar energy plant, Bio-fertilizer plant, HHK etc. are neglected by almost all types of banks. The prime reason may be insufficient incentives for those projects. The interest rate is almost the same for these projects where there is no direct return for the investors. In order to get the maximum output from green banking policies, the central bank should reform the strategy. Interest free financing incentives should be declared for pollution controlling or pollution preventive projects of existing industries. On the other hand, the in-house green banking practice is similar for different types of banks. The performances of PCBs and FCBs are better than SCBs and SDBs. The better performances happened due to quick decision making by management and capacity for investment in environment saving projects with global demands. It is absent in SCBs and SDBs.

Islam, Ariful & et. al., (2014) stated in their article named, “Green financing in Bangladesh: challenges and opportunities – a descriptive approach” that Financial Institutions (FIs), the key constituent for the development of a country, can improve their service level along with enhanced social responsibility through the practice of ‘green financing’. Initiatives have been taken to practice green financing throughout the economy covering banks and other non-bank financial institutions in Bangladesh. Green Banking in Bangladesh needs the establishment of incorporation of environmental parameters, effective policy formulation, the creation of homogenous environments and other aspects. The improvement of green financing needs the improvement of online financing/banking, separate green financing/banking unit and other public cooperation.

Masukujjaman & Serena (2013) stated in their article, “Green Banking in Bangladesh:

A Commitment towards the Global Initiatives.” that banks usually provide dedicated public services for profits. It is believed that profit should not be earned at the expense of the world's most pressing environmental problems. Thus the concept of green banking is evolved in response to the global initiative to save environment. It is a kind of welfare banking for the society at large, it responses to be green in daily operations and financing of nature conservation projects. The present paper aims to highlight the green banking road map in Bangladesh and the status of its implementation. Banks should take initiative to set absolute Green House Gas emission reduction targets from operations, energy use and business travel For this, awareness of development and advisory services by banks in the process of development of CDM projects will be crucial. Banks should also take steps to form Climate Risk Fund to finance the economic activities in the flood, cyclone and drought prone areas. In case of environmental risk rating, banks need to apply a quantitative approach for a more justified rating along with Environmental Due Diligence (EDD) Checklist under Subjective Criterion. They should take diversified activities especially introducing innovative products in the model of Bangladeshi infrastructure for a true green economy. Although Bangladesh have started its green journey lately, the hope is that a cooperative effort of banks and other stakeholders will contribute remarkably in coping with climate challenges and smoothen the path of sustainability in coming years.

Rahman and et. al., (2015-2016) stated in their article named, “Green Banking Practices in Bangladesh: An assessment in the purview of Policy Guidelines of Bangladesh bank” that green economy is one of the most burning issues in today’s global economy. Green Banking creates awareness to the people about the environment and social responsibility enabling them to do an environmental friendly business practices avoiding as much as paper work. Sustainable banking, ethical banking, green mortgage, green loan, checking accounts, money market and remote deposit( mobile banking) are the latest operations performed by the banks and other financial institutions in Bangladesh. 56 banks out of 57 and 301 have formulated the policy s guided by Bangladesh Bank for green approach and fund utilization has gradually increased. After developing GB policy, the allocation for GB activities was 237% higher than in 2013 but in 2014 the annual allocation is decreased by 53% from the previous year and utilization is less than the previous year. Numbers of training programmes have decreased than that of the earlier and amount of utilization for green marketing, training and development has taken downward trend.

Ullah (2013) stated in his article named, “Green Banking in Bangladesh- A Comparative Analysis” that Bangladesh is the worst sufferer of world environmental pollution through industrialization of the western countries. Under such extreme environmental threat the financial sector of Bangladesh is playing a key role as one of the important stake-holder of the economy enforcing the businessmen/ industrialists of the country to design their various strategy/action plans keeping the crucial environmental issues. In mind Green Banking (GB) is a component of the global initiative by a group of stake-

holders to save the climate/environment. He concluded that only PCBs, FCBs have adopted green banking guideline and financed some of green banking based projects on the other hand SCBs and SDBs initiatives are not remarkable. In spite of a lot of prospect in green banking, SCBs and SDBs are far behind in the implementation of green banking only some of PCBs, FCBs have initiated towards green banking. But total scenario is very insignificant according to BB policy. There is a lot of scope for all banks and they can not only save our earth but can transform the whole world towards energy conscious. Banks must educate their customers about green banking and adopt all strategies to save earth and build bank images.

Rahman, Ahsan, Hossain, & Hoq (2013) stated in their article named, “Green Banking Prospects in Bangladesh” that Green banking is the operation of the banking activities giving especial attention upon the social, ecological and environmental factors aiming at the conservation of nature and natural resources. Banks can be green through bringing changes in six main spheres of banking activities. Those are Change in Investment Management, Change in Deposit Management, Change in House Keeping, Change in the Process of Recruitment and Development of Human Capital, Corporate Social Responsibility (CSR), and Making Consciousness Among Clients and General Mass. Such an initiation can ensure a safe residence for upcoming generation. Bangladesh Bank has already issued circulars regarding this. Banks have already been asked to make their own green banking policy. Now we only need raising voice, keeping hand over hands, thinking in positive way and working in collective manner to make this a true.

Shakil, Azam, & Raju, (2014) stated in their article named, “An evaluation of green banking practices in Bangladesh.” that Green Banking is any form of banking that benefits the environment. Green banking shifts banks from the ‘profit, profit and profit motive to ‘planet, people and profit’ motive. Green banking is very important in mitigating the Credit Risk, Legal Risk, Security Risk and Reputation Risk in the banking sector. The study mainly aims to analyze the Green Banking practices among SCBs, SDBs, PCBs and FCBs in Bangladesh. The study is of analytical and theoretical in nature based on secondary data. The study finds that 47 banks have adopted the Green Banking policy, formed Green Banking Unit, allocated and utilized budget for green banking. But the allocation and utilization of budget of SCBs and SDBs are not satisfactory. Online banking and ATM facilities of SCBs and SDBs are very poor. It is also found that there is a sharp increase in giving loans to environmentally friendly projects by banks. Researcher found that some banks still do not and some banks are in the first phase in the policy guideline set by BB. The greatest reason for not adopt Green Banking perhaps is that it often require a large initial cost. As SCBs and SDBs are far behind to adopt online banking and ATM facilities, our government should provide enough fund and technical support to them. Bangladesh Bank should enforce SCBs, SDBs, PCBs and FCBS, that they should assess the sensitive issues like vulnerable groups; involuntary displacement etc while investing or funding the projects.

#### 4. Major Findings and Observations

Details of Green financing activities during 2011 to 15 are shown below along with good analysis and interpretation.

Table-1. Green Finance in different products: FY15 (Million Taka)

| Category of green finance        | SCBs   | DFIs | PCBs     | FCBs    | NBFs   | Total   |
|----------------------------------|--------|------|----------|---------|--------|---------|
| Renewable energy                 | 107.4  | 5.8  | 2284.2   | 554.4   | 6249.3 | 9201.3  |
| Energy efficiency                | 92.0   | 0.0  | 1400.7   | 0.0     | 81.7   | 1574.4  |
| Solid waste management           | 14.9   | 0.0  | 2112.7   | 0.0     | 0.0    | 2127.6  |
| Liquid waste management          | 22.0   | 0.0  | 1755.5   | 52.5    | 202.0  | 2032.0  |
| Alternative energy               | 17.3   | 0.0  | 0.0      | 0.0     | 0.0    | 17.3    |
| Fire burnt brick                 | 1797.3 | 34.4 | 5292.3   | 0.0     | 59.0   | 7182.5  |
| Non fire block brick             | 00     | 0.0  | 20.5     | 0.0     | 0.0    | 20.5    |
| Reclining and recyclable product | 0.0    | 8.9  | 2376.8   | 26.8    | 124.3  | 2536.8  |
| Green industry                   | 420.0  | 0.0  | 831.1    | 2638.3  | 80.0   | 3969.5  |
| Safety and security of factory   | 0.0    | 0.0  | 236.4    | 1.5     | 24.7   | 262.6   |
| others                           | 596.3  | 37.4 | 3788.4   | 0.0     | 43.2   | 4465.2  |
| Total                            | 3067.2 | 86.1 | 200098.6 | 32733.6 | 6864.2 | 33389.7 |

Source: Sustainable Finance Department, BB.

Table-1 shows that contributions of green financing of SCBs, DFIs, PCBs, FCBs and NBFs are Tk.3067.2, Tk.86.1, Tk.200098.6, Tk. 32733.6, Tk.6864.2, and Tk.33389.7 million. Category wise green financing of the above said banks are for Renewable energy- Tk.9201.3, Energy efficiency- Tk.1574.4, Solid waste management-Tk.2127.6, Liquid waste management- Tk.2032.0, Alternative energy- Tk. 17.3, Fire burnt brick-Tk.7182.5, Non fire block brick- Tk.20.5, Reclining and recyclable product-Tk.2536.8, Green industry- Tk. 3969.5, Safety and security of factory-Tk. 262.6 and others-Tk. 4465.2 million.

Table -2 Direct and indirect green finance: FY15 (Million taka)

| Types of banks / NBFs | Direct green finance | Indirect green finance | Total green finance | Sector wise contribution |
|-----------------------|----------------------|------------------------|---------------------|--------------------------|
| SCBs                  | 3067.2               | 910.6                  | 3977.7              | 0.9                      |
| DFIs                  | 86.1                 | 263.0                  | 349.0               | 0.1                      |
| PCBs                  | 20098.6              | 346134.7               | 366233.2            | 78.6                     |
| FCBs                  | 3273.6               | 68240.7                | 71514.3             | 15.4                     |
| NBFs                  | 8320.7               | 15493.0                | 23813.6             | 5.1                      |
| Total                 | 34846.0              | 431041.9               | 465887.9            | 100.0                    |

Source :Sustainable Finance Department, BB.

Table-2 shows direct and indirect green financing of SCBs, DFIs, PCBs, FCBs and NBFs during FY-2015. Their contributions are in direct green financing, indirect green financing Tk.3977.7, Tk. 349.0, Tk.366233.2, Tk.71514.3, Tk.23813.6 and Tk.465887.9 million respectively. Their sector wise contributions are 0.9%, 0.1%, 78.6%, 15.4% and 5.1% respectively.

Table -3 Distribution trend of BB refinance scheme for green products: (Million taka)

| Green product category       | FY11  | FY12  | FY13  | FY14  | FY15  |
|------------------------------|-------|-------|-------|-------|-------|
| Bio gas                      | 50.2  | 133.2 | 113.6 | 212.8 | 83.3  |
| Solar home system            | 59.4  | 10.5  | 40.2  | 32.2  | 87.5  |
| Solar irrigation pump        | 12.4  | 8.4   | 0.0   | 17.9  | 26.5  |
| Effluent treatment plant     | 10.8  | 22.2  | 57.4  | 10.0  | 0.0   |
| HHK technology in brick klin | 0.0   | 55.0  | 172.2 | 59.0  | 47.0  |
| Solar assembly plant         | 0.0   | 248.8 | 122.7 | 49.6  | 148.1 |
| Vermi Compost                | 0.0   | 0.0   | 0.0   | 0.0   | 1.1   |
| Total                        | 132.8 | 478.1 | 506.1 | 381.5 | 393.5 |

Source: Sustainable Finance Department, BB.

Table-3 shows distribution trend of BB refinance scheme for green products. Distributions of Bangladesh Bank were Tk.132.8, Tk.478.1, Tk.506.1, Tk. 381.5 and Tk. 393.5 million during the FY11, FY12, FY13, FY14 and FY15. The categories were Bio gas, Solar home system, Solar irrigation pump, Effluent treatment plant, HHK technology in brick klin, Solar assembly plant and Vermi Compost.

Table -4 Expenditure of the BB disaster management & corporate social responsibility fund (Million taka)

| Sectors                                      | Amount |
|--|--------|
| Education                                    | 22.2   |
| Health                                       | 6.0    |
| Environment                                  | 3.2    |
| Human resource development/capacity building | 7.5    |
| Financial inclusion/women empowerment        | 9.4    |
| others                                       | 3.0    |
| Total  | 51.3   |

Source :Sustainable Finance Department, BB.

Table-4 shows expenditure of the BB disaster management & corporate social responsibility fund. The sector wise expenditures for Education, Health, Environment, Human resource development/capacity building, Financial inclusion/women empowerment and others were Tk.22.2, Tk.6.0, Tk.3.2, Tk.7.5, Tk. 9.4, Tk.3.0 and Tk.51.3 million.

Table -5 Sector wise CSR expenditure of banks FY15

|                              |       |
|------------------------------|-------|
| Human and disaster relief    | 23.5% |
| Health                       | 21.5% |
| Education                    | 34.4% |
| Environment                  | 3.5%  |
| Cultural welfare             | 8.3%  |
| Infrastructural development  | 0.5%  |
| Income generating activities | 0.1%  |
| Others                       | 7.9%  |

Source: Sustainable Finance Department, BB.

Table-5 shows sector wise CSR expenditure of banks during FY15. The expenditures for Human and disaster relief, Health, Education, Environment, Cultural welfare, Infrastructural development, Income generating activities and Others were 23.5%, 21.5%, 34.4%, 3.5%, 8.3%, 0.5%, 0.1% and 7.9% respectively.

Table -6 School Banking account and outstanding as of end June 2015 taka in million

| Types of Banks | Number of accounts | Outstanding |
|----------------|--------------------|-------------|
| SCBs           | 206856             | 337.4       |
| DFis           | 139780             | 207.3       |
| PCBs           | 556233             | 6320.9      |
| FCBs           | 1224               | 14.3        |
| Total          | 904652             | 6879.9      |

Source : Financial Inclusion Department. BB

Table -6 shows School Banking account and outstanding as of end June 2015. The number of accounts of SCBs, DFis, PCBs and FCBs had 206856, 139780, 556233, 1224 respectively. The total number of accounts was 904652. Outstanding of the banks were Tk.337.4, Tk.207.3, Tk.6320.9 and Tk.14.3 million and total outstanding was Tk.6879.9 million.

Table -7 Year and Category wise contribution under CSR program (BDT in Million) of Janata Bank Limited

| SL | Category  | Year  |        |        |        |       |
|----|---|-------|--------|--------|--------|-------|
|    |   | 2015  | 2014   | 2013   | 2012   | 2011  |
|    | Budget  | 100   | 350    | 310    | 250    | 100   |
| 1  | Education and Research  | 10.70 | 11.84  | 78.73  | 24.20  | 11.60 |
| 2  | Health and treatment  | 3.80  | 25.76  | 63.90  | 35.30  | 22.00 |
| 3  | Poverty reduction and rehabilitation  | 0.00  | 11.88  | 85.30  | 14.40  | 5.30  |
| 4  | Combat against natural calamity   | 7.90  | 0.00   | 3.90   | 0.60   | 0.40  |
| 5  | A try to bring the marginal agriculturists and the poor out of the grip of loan | 0.00  | 5.00   | 0.00   | 5.00   | 7.50  |
| 6  | Preservation of history-tradition   | 0.00  | 72.58  | 44.50  | 18.67  | 15.37 |
| 7  | Preservation of environment   | 0.00  | 0.25   | 0.60   | 0.20   | 0.10  |
| 8  | Expansion of technology   | 0.00  | 11.11  | 15.00  | 14.30  | 6.50  |
| 9  | Invention   | 0.00  | 0.00   | 0.00   | 0.70   | 0.00  |
|    | Total   | 22.40 | 138.42 | 291.50 | 113.37 | 68.77 |

Source: Sustainable Finance Department, BB.

Tabl-7 shows Year and Category wise contribution under CSR program of Janata Bank Limited. The contributions of the bank during the year 2015, 2014, 2013, 2012, 2011 were Tk.22.40, Tk.138.42, Tk. 291.50, Tk.113.37 and Tk. 68.77 respectively. The categories were Education and Research, Health and treatment, Poverty reduction and rehabilitation, Combat against natural calamity, A try to bring the marginal agriculturists and the poor out of the grip of loan, Preservation of history-tradition, Preservation of environment Expansion of technology Invention

Table -8 Beneficiaries in person of Janata Bank Limited

| Year  | Freedom fighters | Poor & Marginal people | Educational Institution | Handicap Related Organization | Various Professional Organization | Miscellaneous | Total  |
|-------|------------------|------------------------|-------------------------|-------------------------------|-----------------------------------|---------------|--------|
| 2015  | 0                | 21000                  | 3                       | 0                             | 0                                 | 1             | 210004 |
| 2014  | 147              | 992                    | 258                     | 7                             | 98                                | 125           | 1627   |
| 2013  | 1099             | 1296                   | 701                     | 370                           | 126                               | 395           | 3987   |
| 2012  | 1805             | 362                    | 357                     | 196                           | 118                               | 372           | 3210   |
| 2011  | 1152             | 203                    | 186                     | 100                           | 37                                | 166           | 1844   |
| Total | 4203             | 23853                  | 1505                    | 673                           | 379                               | 1059          | 31672  |

Source: Sustainable Finance Department, BB.

Table-8 shows beneficiaries in person of Janata Bank Limited. During the year 2015, 2014, 2013, 2012 and 2011, the total numbers of beneficiaries were 210004, 1627, 3987, 3210, 1844 and 31672. Of them, Freedom fighters, Poor & Marginal people, Educational Institution, Handicap Related Organization, Various Professional Organization, and Miscellaneous were 4203, 23853, 1505, 673, 379 and 1059 respectively.

Table-9 Uttara Bank Investment of Uttara Bank in Environmental issues: (Amount in Taka)

| Year  | Solar       | Bio-Gas     | ETP         | Brick        | Vermi-Compost | Total        |
|-------|-------------|-------------|-------------|--------------|---------------|--------------|
| 2011  | 2,24,800    | 1,00,000    | -           | -            | -             | 3,24,800     |
| 2012  | 88,28,140   | 14,00,000   | -           | -            | -             | 1,02,28,140  |
| 2013  | 54,01,000   | 51,83,000   | 1,50,00,000 | -            | -             | 2,55,84,000  |
| 2014  | 65,37,000   | 47,29,000   | -           | -            | -             | 1,12,66,000  |
| 2015  | 69,54,600   | 61,50,000   | 1,00,00,000 | 16,25,00,000 | 4,80,000      | 18,60,84,600 |
| Total | 2,79,45,540 | 1,75,62,000 | 2,50,00,000 | 16,25,00,000 | 4,80,000      | 23,34,87,540 |

Source: Sustainable Finance Department, BB.

Table-9 shows Uttara Bank is careful enough invest in green banking. They have already invested near about Tk.23, 34, 87,540.00 having the year 2014 details of which are given on the above table. They invested in Solar, Bi-Gas ETP, Brick and Vermicompost project Tk. 2,79,45,540.00, Tk.1,75,62,000.00, Tk.2,50,00,000.00, Tk.16,25,00,000.00 and Tk.4,80,000.00 million. During the year 2010, 2011, 2012, 2013, 2014, contributions were Tk.3,24,800.00, Tk.1,02,28,140.00, Tk.2,55,84,000.00, Tk.1,12,66,000.00, Tk.18,60,84,600.00 and Tk.23,34,87,540.00 million.

Table-10 Contribution of Islami Bank Bangladesh Limited to CSR Sector Amount in Million

| Year  | Humanitarian Disaster Relief | Educational | Health  | Sports | Arts, Literature & Culture | Environment | Others | Total   |
|-------|------------------------------|-------------|---------|--------|----------------------------|-------------|--------|---------|
| 2011  | 21.79                        | 56.17       | 25.78   | 248.75 | 7.15                       | 0.48        | 50.55  | 410.67  |
| 2012  | 87.93                        | 83.8        | 39.75   | 1.61   | 8.24                       | 12.48       | 75.38  | 309.19  |
| 2013  | 140.10                       | 135.26      | 71.50   | 78.97  | 5.86                       | 22.94       | 21.79  | 476.42  |
| 2014  | 190.16                       | 161.34      | 89.47   | 40.2   | 15.21                      | 21.12       | 7.02   | 524.52  |
| 2015  | 323.90                       | 175.24      | 226.04  | 26.60  | 5.12                       | 21.42       | 22.11  | 800.43  |
| Total | 1045.55                      | 964.95      | 1390.27 | 468.96 | 121.55                     | 85.80       | 250.03 | 4327.11 |

Source: Sustainable Finance Department, BB.

Table-10 shows Contribution of Islami Bank Bangladesh Limited to CSR Sector. During the Year 2011, 2012, 2013, 2014 and 2015, contributions were Tk.410.67,

Tk.309.19, Tk.476.42, Tk.524.52 and Tk.800.43 million. The sector wise contributions for Humanitarian Disaster Relief, Education, Health, Sports Arts, Literature& Culture, Environment and Others were Tk.1045.55, Tk. 964.95, Tk.1390.27, Tk.468.96, Tk.121.55, Tk.85.80 and Tk.250.03 million.

#### ***Challenges regarding green financing***

- ✓ A lot of challenges are regarding the implementation of a green financing policy
- ✓ Adopt the appropriate policies for the various sector divisions according to Bangladesh bank' difficult prescribe (hazard or environmental risk)
- ✓ Ensure to monitoring and supervising of projects by the government body.
- ✓ Ensuring homogenous facilities for all the banks in the green financing implementation process.
- ✓ Increase the handsome amount of contribution to the green financing activities.
- ✓ Banks should have the ethical strength for investment in green projects.
- ✓ Banks should offer green products to the public.
- ✓ Promote car sharing.
- ✓ Strong enforcement for the banking industries to set up ETP.
- ✓ Formation of special monitoring cells for green financing
- ✓ Making maintenance of renewal energy technologies easy and cost effective.
- ✓ Encouraging research initiatives by local academics and the government.
- ✓ Increase expertise to formulate policies for individual banks. Physical training for personnel should be arranged in a bank which has implemented policies involving green financing

#### **5. Conclusion**

Green financing of commercial banks has been increasing day by day under the initiatives of Bangladesh banks. Socio-economic benefits of green financing are also very much encouraging. Commercial banks should try to control their cost of funds and increase their operational efficiency through reducing classified loans and advances, deposit mobilization increasing recovery rates and ensuring productive utilization of working funds. With the increase amount of earnings and productivity expansion of the activities of commercial banks should be developed through using modern technology and identifying the strength weakness opportunities and threats of commercial banks. It is very difficult task for banking sector to measure how does banking industry has reached towards the 'Green Financing' target. It is hopeful that this sector enjoys enough a great opportunity to lead towards a green economy for a developing country like Bangladesh. No individual banking sectors can claim full adoption of sustainable development in their operations. But this is the difficult time where the central authority or the policy makers of Bangladesh and the individual financial institutions should come forward to implement a green financing concept for a sustainable economy.

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## **CORPORATE SOCIAL RESPONSIBILITY OF COMMERCIAL BANKS IN BANGLADESH: A CASE STUDY ON JANATA BANK LIMITED**

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**Abstract.** CSR or Corporate Social Responsibility is a process to embrace responsibility for the company's actions and encourage positive impact through its activities on the society. Because of global competitiveness and demand, the CSR practices are being implemented in Bangladesh. Banking sectors are holding the foremost position in this connection. The common CSR activities performing by Janata Bank Limited mainly include Education & Research, Health & Treatment, Poverty Reduction & Rehabilitation, Combat against Natural Calamity, Helping the Poor, Marginal, Agriculturist, Preservation of History-tradition, Culture and Sports, Preservation of Environment, Expansion of Technology and Invention etc. Comparing to various sectors the researcher has found that JBL has major contribution in public health and treatment sector which almost covers 24.23% of its total contribution. After that it also contributed significantly in the area of Preservation of History-tradition & Culture and Sports 23.81% and education covers 21.53%. While in other cases JBL contributed a very less amount comparing to all other sectors. The analysis clarified that the participation in different areas of CSR activities of Janata Bank Ltd. is limited but praiseworthy.

**Keywords:** CSR, Janata Bank, Environment, Charity, Socioeconomic Benefits

### **1. Introduction**

The environment of the world is facing serious threat because of environmental pollution and climate change. Rapid climate changes causing negative impacts on agriculture, forestry, water resources, human health, bio-diversity, etc. Unusual rising of green house gas, unlawful destruction of forestry, unplanned use and misuse of natural resources are the main causes of environmental pollution and climate change. Environmental hazards have been occurred through air and water pollution, scarcity of water,

squeezing river channels, faulty disposal of hospital, industrial and household waste management system, destruction of forest, earth filling of ponds and water bodies. The environment of Bangladesh is also deteriorating rapidly. Collective measures by all quarters are necessary to protect the environment pollution and environment hazards. As a most vulnerable among the countries under the threat of climate change risk, the financial institution of Bangladesh also should play important role to prevent the environmental hazards worldwide.

Banking sectors performs a vital role in the economy of a country. Industries founded by bank finance make dynamics of the economy, but simultaneously, the environmental pollution have been occurred by their production, process and related activities. Besides, banks should also ensure optimum use of natural resources like paper, toner, gas, water, electricity, fuel etc. The people engaged in banking sector could be able to perform in environmental safety in versatile ways. Following the various steps taken worldwide for prevention of environmental hazards, banks should be more careful in the development of their internal environment as well as they could be more conscious to influence their partners clients, stake-holders in such activities.

The core objective of corporate social responsibility activities is to ensure customer services, finance, protection of internal environment of management through adoption and compliance of environment friendly Banking policy. Other objectives are

- i. Playing direct role for protection of environmental pollution at national and international levels through adoption of environment friendly Banking Policy.
- ii. Encouraging project finance in environment friendly projects and discouraging the projects detrimental to good environment.
- iii. Adoption of Social commitment and ethics consciousness based Banking Policy.
- iv. Ensure the optimum use of gas, water, electricity, office-stationary, etc.
- v. Increasing the use of on-line communication, on-line customer service, ATM, etc.
- vi. Protection of forest resources through optimum use of paper and toner.
- vii. Increase environment friendly activities in customer service, financing, internal environment of management, i.e. growth in on-line customer service, ATM, etc.
- viii. Development of environment consciousness among bankers and customers.
- ix. Priorities the environment friendly and energy saving technologies in official procurement.
- x. Providing sponsorship for the development of public consciousness through encouraging the environment friendly activities.
- xi. Publishing and communicating memo, circular. Statement through web mail/web site without normal printing.

**1.1 Objectives of the Study:** The study is aimed to fulfill the following specific objectives-

- A. To know the impact of such financing on social economic advancement of Bangladesh.
- B. To analyze the nature of CSR activities of selected commercial banks in Bangladesh during last five years.
- C. To suggest the better financing of such activities.

**1.2 Need for the Study:** The concept of Corporate Social Responsibility (CSR) was considered in the early part of the 20th century but it received enormous impetus in the early 1950s. Primarily CSR starts with the consideration of social implications by anybody corporate which is ultimately reflected through its initiatives towards betterment of the disadvantaged peoples of a society. As a stakeholder of the society, the Bank is keen to augment CSR activities gradually in the days to come. As such in broadly defining, CSR refers to the voluntary role of business towards building a better society and cleaner environment beyond its financial commitments and regulatory obligations. Considering importance of CSR, Bangladesh Bank since June 2008 officially started encouraging towards mainstreaming CSR in banks and financial institutions of Bangladesh. This study would be interesting to the Policy makers and the scholars.

## **2. Methodology of the Study**

The present study covers single commercial Banks like Janata Bank Limited. Banks are selected on the basis of availabilities on data. The study is based on mainly on secondary data like the annual reports and other selected publications of the Bankers. The different aspects of analyses are as follows-

- a) Various CSR activities are analyzed.
- b) Tracing of employees in CSR activities have been shown.
- c) Nature of implementation of Bangladesh Bank directives has been shown.
- d) Details of CSR activities are also shown.

## **3. Literature Review**

Khan (2010) discussed in his article named, 'The effect of corporate governance elements on corporate social responsibility (CSR) reporting: Empirical evidence from private commercial banks of Bangladesh.' that the results of the study demonstrate that though voluntary, overall CSR reporting by Bangladeshi PCB are rather moderate, however, the varieties of CSR items are really impressive. The results also displayed no significant relationship between the women representation in the board and CSR reporting. Conversely, non-executive directors and existence of foreign nationalities have been found the significant impact on the CSR reporting

Khan, Halabi, & Samy (2009) discussed in his article named “Corporate social responsibility (CSR) reporting: a study of selected banking companies in Bangladesh.” the study shows that the selected banking companies did some (albeit little) CSR reporting on a voluntary basis. Second that the user groups are in favor of CSR reporting, and would like to see more disclosure. The current disclosures by the selected banks, however, are not ample at all to measure the social responsiveness of the organizations.

Islam, Ahmed, & Hasan (2012) discussed in their article named “Corporate social responsibility and financial performance linkage: Evidence from the banking sector of Bangladesh.” to examine the nature of relationship between corporate social responsibility (CSR) and corporate financial performance (CFP). In doing so they have summarized the findings of the empirical studies, drawn the conceptual framework, measured CSR by developing a measure of corporate social performance (CSP) and finally made an investigation on the banking sector of Bangladesh. The results of the study revealed that the average return on asset ratios of the banks having high CSP is higher compared to that of the banks having low CSP, though this could not be proved statistically. However, they should not write off the possibility of this linkage and continue the study. In this respect, the CSR status measured in this study would serve as an important benchmark for further studies.

Khan, Azizul Islam, Kayeser Fatima, & Ahmed (2011) discussed in their article named, “Corporate sustainability reporting of major commercial banks in line with GRI: Bangladesh evidence.” that examines the tendencies of sustainability reporting by major commercial banks in Bangladesh in comparison with global sustainability reporting indicators outlined in the GRI framework together with banks’ predilection toward reporting sixteen GRI financial service sector (FSS) specific performance indicators. Based on the GRI G3 guidelines, we investigated banks’ reporting in five broad areas of sustainability such as environment, labour practices and decent works, product responsibility, human rights and society. The 2008/2009 annual reports of twelve major commercial banks listed on Dhaka stock exchange were analysed and coded using content-based technique. The results show that information on society is addressed most extensively with regards to extent of reporting. This is followed by the disclosures prepared on decent works and labour practices and environmental issues. Furthermore, while the disclosures of product responsibility information and the information for human rights are rather absent in banks’ reporting; on the subject of FSS specific disclosures, only seven items out of sixteen are disclosed by all sample banks. The findings of the study indicate that Bangladeshi commercial banks’ social disclosures could develop in this style to become more holistic and over time (in association with country’s central bank involvement) to resemble a type of structured reporting to the point where they are properly labeled per se. The study contributes to the social disclosure literature in particular developing countries banking sector context seeing as it disseminates evidence of the standing on social disclosures practices at the level of GRI with developing countries’ banks data.

Wise, & Ali (2008, January) discussed in their article named, “Corporate governance and corporate social responsibility in Bangladesh.” That Corporate social responsibility is associated with corporate governance and ethical business procedure. Good corporate governance is expected to underpin effective and efficient corporate social responsibility within firms. They observed, from their content analysis of the annual reports of three cases studies within the Bangladesh banking industry, that the corporate social responsibility disclosures focus on initiatives undertaken to support two critical two sectors within Bangladesh’s economy: agriculture and the SME sector. Further disclosures address contributions and donations made by the banks to support underprivileged sections of Bangladesh society including destitute youth and women. Of the three cases examined in this study, two are relatively new entrants to the banking sector. They observed that the newest firm, incorporated in 1999, made no disclosures in regards to its corporate social responsibility and, as a consequence, conclude that the corporate governance mechanisms in this firm are likely to be unsophisticated

Sharma, & Mani (2013) discussed in their article named, “Corporate social responsibility: An analysis of Indian commercial banks.” that analyze the corporate social responsibility (CSR) activities carried out by Indian commercial banks. Variables used in the study are: rural branch expansion, priority sector lending, environment protection, community welfare, and women welfare, new initiative related to CSR, financial literacy, education and farmers’ welfare. The analysis shows that though the Indian banks are making efforts in the CSR areas but still there is a requirement of more emphasis on CSR. There are some banks which are not even meeting the regulatory requirements. The public sector banks have overall highest contribution in CSR activities. Private sector banks and foreign banks are still lagging in this area. The study has a scope of further research where the CSR performance of banks can be related to financial performance of the banks.

Farook, Kabir Hassan, & Lanis (2011) discussed in their article named, “Determinants of corporate social responsibility disclosure: The case of Islamic banks.” that Corporate social responsibility (CSR) disclosure by Islamic banks varies significantly across the sample. According to the regression results, variation is best explained by the “influence of the relevant publics” and the “Shariah (SSB supervisory boards) corporate governance mechanism” variables. Using alternative variable measures, the regression results suggest that “level of social and political freedom” and “the proportion of investment account deposits to total assets” are also significant determinants of Islamic banks’ CSR disclosure.

### ***Impact of Corporate Social Responsibility on Socio-Economic Advancement in Bangladesh***

Social economic development is a program that creates sustainable access to the economy for its beneficiaries. This means that contribution should be providing sustainable benefit. Causes of social economic development impacts included the change in technology with the passage of time. These changing may be change in physical environ-

ment such as cars, mobile phone technology, changes in law etc. social economic development usually in terms of improvements in metrics such as GDP, life expectancy, literacy, levels of emplacement etc. It has been seen in underdeveloped countries that are suffering from different economic issues are less aware of people of that country about their duties (Hossain, Momin, Rowe & Quaddus (2017). Business industries don't take an action to play an important role for their society. It is the duty comes first for each sector to play a role in the welfare of the socio-economic development. In underdeveloped countries they have to need much investment to improve social development. Organizations should have build institute where from a people get lot of awareness about their society. Each person should have to participate and do well as well for their society to become a developed country.

CSR is an evolving concept globally but, in Bangladesh, it has been defined as a set of business practices based on ethical norms and transparency that contributes to the sustainable development of internal and external stakeholders in the best interest of business society and environment [Bangladesh Enterprise Institute. Script for CSR documentary feature (corporate). 2006 (Unpublished)]. A socially-responsible firm holds a holistic view of itself in relation to its stakeholders and measures its performance via a triple bottom-line: economic/financial, environmental, and social. CSR seeks a path which advances all the three measures, none at the cost of the others. Although CSR as a concept may have roots in philanthropic activities, the modern view of CSR is more strategic and complex. In developing countries where basic compliance with and enforcement of national labour and environmental laws is weak, some may mischaracterize full compliance with laws and regulations as CSR. For the most part, this case study will discuss CSR as a broader corporate strategy that goes beyond legal compliance and employee benefits. CSR might be most relevant in developing countries where the impacts of business activities on the poor have been mixed. CSR is one method by which businesses can seek to maximize positive effects on the poor and minimize negative economic externalities.

| Positive impact  | Negative impact   |
|--|---|
| Provide jobs, salaries, and benefits<br>Even if the poor are unable to have work in the formal sector, the multiplier effect of salaries can boost local economies, including the informal sector. | Threaten livelihood. The poor may access essential goods and services outside the marketplace. Their assets (water rights, social networks, traditional land-use, etc.) may be undermined or expropriated by the expanding market economy.                |
| Provide products and services<br>The private sector provides essential products and services to all segments of society. As distribution networks expand, poor populations may have better access. | Engage in non-competitive behaviour<br>Restrictive business practices, market abuses, corruption, lobbying to protect vested interests, and establishing monopolies or oligopolies result in higher prices, fewer jobs, and barriers to the organization. |
| Invest in research, development, and training<br>Through technology innovation, research and   | Impose costs on others Poor and rural populations often disproportionately experience negative ex-  |

|   |  |
|---|--|
| development (R&D) raises productivity levels, improves products, and increases access to products and services. Business can also be a conduit for new technology and business practices to developing countries.   | ternalities, like pollution, displacement, and social upheaval.  |
| Create private and public wealth<br>Direct profits from business rarely go to the poor but taxes, rents, and public service returns generate government revenues for public services and infrastructure investment. | Exploit resources while giving little back<br>If businesses repatriate a majority of wealth through profit repatriation, expatriate employment, and international sourcing, the local economic multiplier is vastly reduced. Tax holidays, tax avoidance, and fraudulent accounting can reduce contributions to public revenues. |
| Trade with the poor. As supply-chains become more international, even companies that only operate in developed countries can have a positive multiplier effect on developing economies.                             | Create dependency relationships<br>Particularly in resource-extraction industries, business can dominate a local economy for a short period without helping long-term economic development.  |

#### **4. Data Analysis and Findings**

Corporate Social Responsibility (CSR) has become a key initiative and an essential tool in the development of the third world countries throughout the globe. Primary CSR starts with the consideration of social implication by anybody corporate, which ultimately reflects through its initiatives towards the betterment of the disadvantaged people of a society (Ali & Rahma, 2015). As a stakeholder of the society, the Bank is taken to augment CSR activities gradually for building a better society and cleaner environment beyond its financial commitments and regulatory obligations. Considering importance of CSR, Bangladesh Bank since June 2008 officially started encouraging towards mainstreaming CSR in the banks and financial institutions of Bangladesh. United Nations has set eight goals (popularly known as Millennium Development Goals; such as eradicating extreme poverty and hunger, achieving universal primary education, promoting gender equality and empowering women, reducing child mortality, improving mental health, combating HIV/AIDS, malaria and other diseases, ensuring environmental sustainability and developing a global partnership for development) in its millennium summit held at the UN Head Quarters, New York, USA in 2000 and Bangladesh is one of the signatories to achieve those goals by 2015. Keeping these in mind, the bank has aligned the CSR activities partially with those goals. The following table projects the year and category-wise contribution under CSR Programme.

##### ***Working Area***

To prioritizing the development and rehabilitation of the people of poverty affected areas the following things are

- i. Providing financial help to the people who are physically disabled, deprived and lagged behind.

- ii. Providing financial help to the people who are affected by natural calamity
- iii. Providing scholarship to the students who are meritorious but poor.
- iv. Poverty reduction
- v. Human resource development
- vi. Expansion of education
- vii. Expansion of the area of health and treatment
- viii. Expansions of history, culture, tradition, sports, protection of environment, upload the spirit of liberation war, enhancement of public awareness etc.

***Sectors of Corporate Social Responsibility Performance of Janata Bank***

For bringing dynamism in CSR activities and including the most part of the deprived people, the total activities have been categorized and sub-categorized in the following ways:

The table below showing the category-wise contribution from 2011 to 2015. Year and category-wise contribution under CSR program(BDT in Millions)

| SL.No | Categories  | Year  |        |        |        |       |        |
|-------|---|-------|--------|--------|--------|-------|--------|
|       |   | 2015  | 2014   | 2013   | 2012   | 2011  | Total  |
| 1     | Budget  | 100   | 350    | 310    | 250    | 100   | 1110   |
| 2     | Education & Research                                  | 10.70 | 11.84  | 78.30  | 24.20  | 11.60 | 136.64 |
| 3     | Health & Treatment                                    | 3.80  | 25.76  | 63.90  | 35.30  | 22.00 | 153.76 |
| 4     | Poverty reduction & rehabilitation                    | 0.00  | 11.88  | 85.30  | 14.40  | 5.30  | 113.88 |
| 5     | Combat against natural calamity                       | 7.90  | 0.00   | 3.90   | 0.60   | 0.40  | 12.80  |
| 6     | Helping the poor, marginal, agri-culturists           | 0.00  | 5.00   | 0.00   | 5.00   | 7.50  | 17.50  |
| 7     | Preservation of history tradition, Culture and sports | 0.00  | 72.58  | 44.50  | 18.67  | 15.37 | 151.12 |
| 8     | Preservation of environment                           | 0.00  | 0.25   | 0.60   | 0.20   | 0.10  | 1.15   |
| 9     | Expansion of technology                               | 0.00  | 11.11  | 15.00  | 14.30  | 6.50  | 46.91  |
| 10    | Invention   | 0.00  | 0.00   | 0.00   | 0.70   | 0.00  | 0.70   |
| 11    | Total   | 22.40 | 138.42 | 291.50 | 113.37 | 68.77 | 634.46 |

***1. Education & Research***

Considering the benediction of education in national progress and development of human resource, the main allocation of CSR budget has been targeted to the development of education. JBL Contributed BDT The year-wise contribution from 2011 to 2015 is Tk. (millions)

|       |       |       |       |       |        |
|-------|-------|-------|-------|-------|--------|
| 10.70 | 11.84 | 78.30 | 24.20 | 11.60 | 136.64 |
|-------|-------|-------|-------|-------|--------|

***2. Health & Treatment***

JBL sets top priority on health initiatives and provides assistance in buying equipment for infra-structure development of the govt and non-govt. hospitals. Besides, emphasis is given on the treatment of sick, poverty-stricken freedom-fighters and their families as well as famous persons those who feel shy to disclose their financial crisis even in time of treatment. The year-wise contribution from 2011 to 2015 is Tk. (millions)

|      |       |       |       |       |        |
|------|-------|-------|-------|-------|--------|
| 3.80 | 25.76 | 63.90 | 35.30 | 22.00 | 153.76 |
|------|-------|-------|-------|-------|--------|

### 3. Poverty Reduction & Rehabilitation

Being a socially responsible bank, JBL comes forward for humanitarian cause with passion and affection. For poverty reduction and rehabilitation, the bank individually and in co-operation with other private or volunteer organizations provides financial support. JBL Contributed BDT The year-wise contribution from 2011 to 2015 is Tk. (millions)

|      |       |       |       |      |        |
|------|-------|-------|-------|------|--------|
| 0.00 | 11.88 | 85.30 | 14.40 | 5.30 | 113.88 |
|------|-------|-------|-------|------|--------|

### 4. Combat against Natural Calamity

Under the programme, Janata Bank Limited stretches its helping hand to the people who are affected by flood, cyclone, earth-quake, winter, fire etc. JBL Contributed the year-wise contribution from 2011 to 2015 is Tk. (millions)

|      |      |      |      |      |       |
|------|------|------|------|------|-------|
| 7.90 | 0.00 | 3.90 | 0.60 | 0.40 | 12.80 |
|------|------|------|------|------|-------|

### 5. Helping the Poor, Marginal, Agriculturist

The number of population affected by Sidr, Aila and Mongaof the northern belt of the country has been brought under rehabilitation program. In this case, interest of the loans and other expenses will be adjusted from CSR fund. The quintessence of the scheme is to make the deprived population free from the high interest charged by the Mohajons and NGOs, with a view to making them self-depended gradually. Likewise, assistance is provided from the CSR fund of the bank for the small leather goods producers in a healthy atmosphere for producing quality products. JBL Contributed the year-wise contribution from 2011 to 2015 is Tk. (millions)

|      |      |      |      |      |       |
|------|------|------|------|------|-------|
| 0.00 | 5.00 | 0.00 | 5.00 | 7.50 | 17.50 |
|------|------|------|------|------|-------|

### 6. Preservation of History-tradition, Culture and Sports

For the purpose of building a tyranny-free society and flourishing of culture with the concept of liberation war, preservation of primitive history with archaeological places, expansion of sports, Janata Bank CSR fund is on the move. Besides, the financial assistance for arranging programmes for celebration of different Red Letter Days having the enzyme of nation-building, the CSR fund of the Bank loves to leave a footstep. Above all, according to the instruction of Bangladesh Bank, Janata Bank is inspiring publishing books and making of films/advertisement on anti-terrorism (Jongibad). JBL Contributed the year-wise contribution from 2011 to 2015 is Tk. (millions)

|      |       |       |       |       |        |
|------|-------|-------|-------|-------|--------|
| 0.00 | 72.58 | 44.50 | 18.67 | 15.37 | 151.12 |
|------|-------|-------|-------|-------|--------|

### 7. Preservation of Environment

For sustainable development, preservation of environment and establishing a wave of mob-sense has become an urgent need. Any environment related organization that takes the effort of preserving the environment, the bank stays by their sides. Besides, in the field of tree plantation, green-belts, sanitation, and pure drinking water etc. the bank provides assistance. Preference is given on uses of technology, solar energy etc for promoting green banking. JBL Contributed the year-wise contribution from 2011 to

2015 is Tk. (millions)

|      |       |       |       |       |        |
|------|-------|-------|-------|-------|--------|
| 0.00 | 72.58 | 44.50 | 18.67 | 15.37 | 151.12 |
|------|-------|-------|-------|-------|--------|

#### 8. Expansion of Technology

For building technology based skilled human resource, the bank allocates handsome amount of money. Computer is one of the equipment's of modern technology. For building the "Digital Bangladesh" outlined by the government, full set of computers are being provided to govt./ non govt./ educational institutions, non-profitable organizations from CSR fund. JBL Contributed the year-wise contribution from 2011 to 2015 is Tk. (millions)

|      |      |      |      |      |      |
|------|------|------|------|------|------|
| 0.00 | 0.25 | 0.60 | 0.20 | 0.10 | 1.15 |
|------|------|------|------|------|------|

#### 9. Invention

Besides the categories cited, any invention that can influence the development of the nation by the growth of agricultural production, processing environment-friendly foods, technology, Janata Bank Limited goes for helping the project financially. JBL Contributed the year-wise contribution from 2011 to 2015 is Tk. (millions)

|      |      |      |      |      |      |
|------|------|------|------|------|------|
| 0.00 | 0.00 | 0.00 | 0.70 | 0.00 | 0.70 |
|------|------|------|------|------|------|

#### 10. Other Performance of Janata Bank Ltd.

Keeping the thought of the poor, marginal people, freedom-fighters and educational institutions in the deprived areas all over the country, the bank has categorized them in the following types and benefitted good number of people and organizations from 2011 to 2015.

| Year  | Freedom Fighter | Poor & Marginal people | Educational institution | Handicap Related organization | Various Professional organization | Miscellaneous | Total |
|-------|-----------------|------------------------|-------------------------|-------------------------------|-----------------------------------|---------------|-------|
| 2015  | 0               | 21000                  | 3                       | 0                             | 0                                 | 1             | 21004 |
| 2014  | 147             | 992                    | 258                     | 7                             | 98                                | 125           | 1627  |
| 2013  | 1099            | 1296                   | 701                     | 370                           | 126                               | 395           | 3987  |
| 2012  | 1805            | 362                    | 357                     | 196                           | 118                               | 372           | 3210  |
| 2011  | 1152            | 203                    | 186                     | 100                           | 37                                | 166           | 1844  |
| Total | 4203            | 23853                  | 1505                    | 673                           | 379                               | 1059          | 31672 |

### 5. Major Findings

Banking sectors being a vital sector of Bangladesh continues to contribute to a great extent in the economy of Bangladesh. This is true that banks are paying more to their CSR activities but not so much as their earnings increases. But recent trends of engagement in CSR practice indicate that banks are gradually organizing these involvements in more structured CSR initiative format. Roy, & Chowdhury, S. et al .(2017) ,common CSR practices in Bangladesh by different organization are centered mainly on poverty alleviation, healthcare, education, clarity activities, culture enrichment, youth development, women empowerment, patronizing sports and music etc. From

above data analysis, it is found that common CSR activities performed by Janata Bank Limited mainly include Education & Research, Health & Treatment, Poverty Reduction & Rehabilitation, Combat against Natural Calamity, Helping the Poor, Marginal, Agriculturist, Preservation of History-tradition, Culture and Sports, Preservation of Environment, Expansion of Technology and Invention etc. Comparing to various sectors the researcher has found that JBL has major contribution in public health and treatment sector which almost covers 24.23% of its total contribution. After that it also contributed significantly in the area of Preservation of History-tradition & Culture and Sports 23.81% and education covers 21.53%. While in other cases JBL contributed a very less amount comparing to all other sectors. The analysis clarified that the participation in different areas of CSR activities of Janata Bank Ltd. is limited but praiseworthy.

## **6. Suggestions**

- As a corporate citizen the bank should accelerate its CSR fund for wellbeing of the society.
- The Bank can diversify its CSR activities in various fields.
- Being responsibility part of the society the Bank should spread out its CSR activities into sustainable development.

## **7. Conclusions**

CSR is seen as a concept in which companies voluntarily integrate social and environmental concern into their business operations and into the interaction with their stakeholders. As a matter of fact, over the last few decades, corporations in the developed economics have moved to 'Social Responsibility Approach' from classical 'Profit Maximizing' where businesses are not only responsible to its stakeholders but also to the society as a whole in a broader inclusive sense (Ferdous, M., & Moniruzzaman, M. (2015). The idea of being a socially responsible company means doing more than complying with the legal and regulatory requirements. This is true that banks are paying more to their CSR activities but not so much as their earnings increases. Common CSR practices in Bangladesh by different organization are centered on mainly poverty alleviation, healthcare, education, charity activities, cultural enrichment, youth development, women empowerment, patronizing sports and music etc. If we compare their profits that will be clear. Finally it is obvious that banks CSR practices aren't good enough but it is increasing that will be enlighten our society as well as banks growth. Further research is needed regarding the philanthropic motivation of banks and how philanthropic strategies can be integrated with CSR. This will add more value to corporate image and reputation, and go a long way towards enhancing the brands of banking

institutions. Again, further research should be concluded on the banking sector to discover the motivation behind such voluntary disclosures of corporate social information in company reports.

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**FACTORS AFFECTING THE INFLOWS OF FOREIGN DIRECT INVESTMENT IN READYMADE GARMENT SECTOR OF BANGLADESH:  
A STUDY ON SELECTED GARMENT FACTORIES AT DHAKA EXPORT PROCESSING ZONE**

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**Abstract.** The Ready-Made Garments industry is occupying a vital position in terms of its contribution to the GDP of Bangladesh, and discerning the importance of this sector this paper attempts to bring out the impact of various factors on the inflows of foreign investment in RMG sector. The various factors affecting the inflows of FDIs have been examined based on the perceptions of people working in RMG enterprises at Dhaka EPZ. The study reveals that bureaucracy, political instability, frequent policy changes have strong negative influence on the inflows of FDIs. Besides these, lack of physical infrastructures, and paucity of backward linkages in RMG sectors thwart the inflow of FDIs. Lack of access to information, the existence of inadequate legal & regulatory framework, and all pervading culture of corruption are found to be important reasons thwarting the FDI inflows. Amidst such bleak situation, most of the respondents are satisfied with the incentives the government is providing to companies in this sector. Companies within the export processing zone face less bureaucracy than the companies outside the zone do.

**Keywords:** Governance, Foreign Direct Investment, Ready-made garments

## **1. Introduction**

Bangladesh is a country with plenty of resources. According to the 7th five year plan Bangladesh wants to achieve middle income nation status by 2021, when the country will celebrate its 50th year of independence. (The Daily Star, 2015). Bangladesh needs a lot of developments in every sector to achieve the middle income status. To achieve that status foreign investment has to play a major role. Bangladesh has changed from traditional agricultural dependency to industry and service sectors. Now more than 60 percent of the economy is globally integrated. (Khatun, 2015). This shows a high growth of foreign trade and investment, but more investment is needed especially in the thrust sectors. The Ready-Made Garments (RMG) industry occupies a unique position in the Bangladesh economy. It is the largest exporting industry in Bangladesh which experienced phenomenal growth during the last 20 years. More than 80% export earnings comes from this sector. (Hossain, 2015) Bangladesh is the third largest exporter of ready-made garment industries in the world. To achieve the middle income status development of the RMG sector is a must. Specially developed with the help of foreign investment. Though the government has taken many steps, there exists many problems and one of the main problems is lack of governance. This affects the flow of investment to a great extent.

## **2. Literature Review**

The flow of FDI in developing country like Bangladesh depends on some factors. According to Alam (2005) there are three main features in the business environment: macroeconomic conditions, governance and infrastructure. But the flow of FDI has not been satisfactory in this sector. Researchers have identified many problems in RMG sector. According to Chowdhury, Ahmed, and Yasmin, (2014) diesel and power crisis, poor financial structure, strikes and political unrest, illiterate workers, unsafe and unhealthy work environment. Researchers like Kibria (2009), Ahamed (2012) and many others identified governance as one of the main challenges in the garment sector. Kibria (2009) defined governance as economic and business policy and regulations such as taxation system and tax rate, interest and Bank rate, drive against corruption and these factors are related to the cost of business and profit. The Transparency International Bangladesh (TIB) report (2013) identified the reasons behind the lack of good governance are coordination problems among different government agencies, corruption, limitations of the labor act, inadequate wage structure, tendency of earning quick and extra profit, political influence in policy making and implementation, ineffective role of government institutions. Alam (2005) found that stricter regulation of entry is correlated with increased corruption and costs. The main finding of this study is that the quality of economic governance is weak and is a major part of why Bangladesh performs poorly. As we can see according to the above researchers Bangladesh has lots of prospects but has been failed to take advantage because of the lack of good governance.

The study strives to identify and examine the factors affecting the inflows of FDI in RMG sector, some factors have been selected. Many researchers have used many factors for analyzing the governance structure. According to Alam (2005) the governance indicators are corruption, bureaucracy, political instability, infrastructure, law and order, policy uncertainty and access to information. In another study Chaib (2014) identified six governance indicators. They are voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, control of corruption.

### **3. Objectives of the Study**

The main objective of the study is to examine the perceptions of the respondents relating to how the various factors (both governance and non-governance) are influencing the inflow of FDI in the garment sector in Bangladesh. The more specific objectives are as follows:

- a) To examine the policy relating to inflows of FDI in Bangladesh.
- b) To examine the factors influencing the inflows of FDI in Bangladesh.
- c) To identify the problems impeding the creation of a friendly environment to the inflows of FDI in the garment sector in Bangladesh.
- d) To render suggestions in the light of the findings.

### **4. Methodology of the Study**

The factors that have been used to assess the impact of factors on FDI inflows in the RMG sector were considered as under :

- Corruption
- Bureaucracy
- Political instability (strike or any political decision that will affect the RMG sector directly)
- Infrastructure (financial, physical, information)
- Incentives provided by government institutions
- Government policies related to ready-made garments and FDI
- Effectiveness of government institutions related to foreign investment and RMG sector.
- Legal and regulatory framework
- Access to information (financial and technological)

The study is empirical in nature. For collecting primary data a questionnaire embodying thirty relevant statements under ten separate sections was designed.

A sample of foreign garment factories that are situated within the Dhaka Export Processing Zone area has been selected for the study. The questionnaire was prepared fo-

cusing on the above factors. There are total 27 foreign garment factories situated at the Dhaka EPZ area, but for this study 10 garment factories have been randomly selected occupying 37.04% of total population of DEPZ. Garment factories that have been selected for this study are mentioned below:

Table 1: Selected foreign garment factories for study purpose

|    | Name of the factories                       |
|----|---|
| 1  | Youngone Hi-Tech Sportswear Ind.ltd         |
| 2  | Shanta Denims Ltd                           |
| 3  | Actor Sporting Ltd                          |
| 4  | Hop-Lun (BD) Ltd                            |
| 5  | Baxter Brenton (Bd.) Clothing Mfg. Co. Ltd. |
| 6  | Epic Garments Manufacturing Co. Ltd         |
| 7  | SGWICUS (BD) Limited                        |
| 8  | Tigerco Limited                             |
| 9  | Hop Yick (Bangladesh) Ltd                   |
| 10 | Talisman Ltd.                               |

Secondary data were collected from different journals, articles and related documents.

## 5. Data Analysis and Interpretations

A 5-point Likert Scale has been used to collect the responses of the respondents ranging qualitatively from ‘strongly agree’ to ‘strongly disagree’. Besides collecting responses, the researchers took interviews of the respondents for collecting relevant data in this regard using interview schedule.

Table 2: Impact of bureaucracy on the FDI

| Statements   | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|--|----------------|-------|---------|----------|-------------------|
| Bureaucratic control has a direct effect on firm's day to day operations | 30%            | 40%   | 20%     | 10%      | Nil               |
| Bureaucracy has negative impact on FDI                                   | 30%            | 40%   |         | 30%      | Nil               |

From the table it is seen that 70% respondents agreed that bureaucracy has a negative impact on the foreign investment while 30% are of the opinion that bureaucracy has a positive impact on the foreign investment. In another question 70% respondents agreed that bureaucracy directly affects their day to day operations.

*Political instability:* Political instability among others includes strikes (both political and labor), policy uncertainty, changes of government and high degree of nationalism.

Table 3: Political instability and FDI

| Statements                                  | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|---|----------------|-------|---------|----------|-------------------|
| Political strike affects FDI negatively     | 60%            | 30%   | 10%     | Nil      | Nil               |
| Labor strikes affect FDI negatively         | 10%            | 60%   | 10%     | 20%      | Nil               |
| Changes of government has a negative impact | 10%            | 10%   | 10%     | 50%      | 10%               |

The Table – 3 exhibits the perceived impact of political instability on the FDI. According to the table, 90% of the respondents agreed that political strikes affect the FDI very

badly. Most of the respondents agreed that political strikes affect them more dangerously than labor strikes. Because companies within the EPZ face less labor strike as they provide all the incentives required to provide.

60% of the respondents are of the opinion that labor strikes affect FDI negatively. Though 20% disagreed on this point.

*Government policies:* Government introduced various policy and legislative measures to boost up the foreign investment. They include foreign investment policy, registration of foreign investment, entry policy, exit policy, local content requirements, technology transfer, investment protection, dispute settlement mechanisms incentives provided by the government, investment facilitation institutions etc.,.

Table 4: Government policies and FDI

| Statements                                   | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|--|----------------|-------|---------|----------|-------------------|
| Frequent policy change has a negative impact | 10%            | 20%   | 10%     | 60%      | Nil               |

From the table – 4, it is seen that 60% of the respondents opined that frequent policy change favors investment. Policy is changed or revised to increase the foreign investment. A Policy that is favorable for the foreign investment definitely has a positive impact on the inflows of foreign investment. Policy should be made for long term purpose.

*Infrastructure:* Infrastructure includes related and supported industries, transport facilities, utilities and financial infrastructure.

Table 5: Infrastructure and FDI

| Statements  | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|---|----------------|-------|---------|----------|-------------------|
| RMG sector enjoys a good base in related & supported industries     | 10%            | 20%   | 10%     | 40%      | 20%               |
| Quality of transport facilities and port system are satisfactory    | Nil            | 40%   | 10%     | 50%      | Nil               |
| Utilities are available at low cost                                 | 20%            | 40%   | Nil     | 30%      | 10%               |
| Bangladesh does not have a well-structured financial infrastructure | Nil            | 40%   | Nil     | 50%      | 10%               |

The Table 5 reveals that 60% of the respondents disagreed on the point that RMG sector enjoys a good base in terms of related and supporting industries in this country. Almost every respondent focused on backward industry of the RMG sector and claimed to provide more incentives in that industry. Foreign investment in the backward linkage industry is very much crucial. Most of the garment factories have to import their raw materials. It increases their cost a lot. They can easily reduce the cost if they can buy the raw materials from local producers.

50% of the respondent claimed that quality of transport facilities are not satisfactory. 60% of the respondents agreed that Bangladesh has a well-structured financial infrastructure. Most of the respondents said without a well-structured financial infrastructure no sector can be developed. And here RMG sector plays a very crucial role in the

economic development of the country. More than 80% export earnings comes from this sector (Hossain, 2015). Without the financial infrastructure it could not be developed that much.

*Access to information:*

Table 6: Access to information and FDI

| Statements  | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|---|----------------|-------|---------|----------|-------------------|
| Foreign investors are dissatisfied with the degree of access to information | 10%            | 30%   | 30%     | 30%      | Nil               |

Table 6 exhibits that 40% of the respondents agreed that foreign investors are dissatisfied with access to information, 30% were disagreed on this point and the other 30% remain neutral. Almost all the garment managers said that BEPZA plays an effective role in their business. BEPZA's official website is very well-structured and they can get information from that website very easily. BEPZA office is also well equipped and can provide necessary information. Companies within the EPZ area have more access to information than companies outside the EPZ area.

*Legal and regulatory framework:* Legal and regulatory framework of a country plays an important role in the foreign investment. In Bangladesh every garment company has to follow the Labor act. All the foreign garments within the EPZ area follow the Labor act of Bangladesh.

Table 7: Legal and regulatory framework and FDI

| Statements  | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|---|----------------|-------|---------|----------|-------------------|
| The overall labor regulations for RMG sector has been satisfactory    | 20%            | 50%   | 20%     | 10%      | Nil               |
| The performance of the court system has not been satisfactory         | Nil            | 40%   | 20%     | 10%      | Nil               |
| Most of the garment factories follow the labor act                    | 40%            | 20%   | 10%     | 10%      | 10%               |
| Most of the garment factories provide healthy working conditions      | 30%            | 40%   | 20%     | 10%      | Nil               |
| There is a gap between regulations and real practice                  | 20%            | 40%   | 30%     | Nil      | Nil               |
| The overall legal & regulatory framework has a negative impact on FDI | Nil            | 40%   | 30%     | 30%      | Nil               |

According to the above table, 40% of the respondents agreed that the overall legal & regulatory framework has a negative impact on FDI. But 30% of the respondents totally disagreed on this point and the other 30% remain neutral. This indicates that the overall legal and regulatory framework has been satisfactory, especially within the EPZ area.

70% of the respondents are satisfied with the labor regulations for RMG sector and said that the legal framework has been stable for RMG sector. Most of the foreign investors are interested to set up their factories within the EPZ area because the law and

order situation is satisfactory within the area.

Around 70% of the respondents said that most of the garment factories provide healthy working conditions, but 10% disagreed on this point.

60% of the respondents agreed that there is a gap between regulations and the real practice of the regulations. 30% remain neutral on this point. Most of the respondents agreed that the situation is better within the EPZ area than outside the EPZ area.

*Corruption:* Corruption has a significant impact on the foreign investment. Though it negatively affects the FDI, it has some positive sides too.

Table 8: Corruption and FDI

| Statements   | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|--|----------------|-------|---------|----------|-------------------|
| Unofficial payments have to be paid for procuring various government permits, availing public utilities, getting custom clearance and making tax payments. | 30%            | 30%   | 20%     | 10%      | Nil               |
| Corruption has a negative impact on business environment   | 40%            | 20%   | 20%     | 20%      | Nil               |
| Corruption has a negative impact on FDI in RMG   | 30%            | 20%   | 10%     | 30%      | Nil               |

Table -8 manifests that around 50% respondents stated that corruption in the governance system has a negative impact on the FDI. Around 60% of the respondents said that unofficial payments have to be paid for procuring various government permits, accessing public utilities, getting custom clearance and making tax payments. Foreign investors see these unofficial payments as a burden, and it discourages them to invest in this sector.

But many respondents identified the positive sides of corruption. 30% of the respondents said that corruption can also be positive. Corruption is one of the reasons that influence foreign investment. It helps to speed up the task.

*Incentives provided by the government:* Bangladesh government provides a lot of incentives to the foreign investors.

Table 9: Incentives provided by the government

| Statements  | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|---|----------------|-------|---------|----------|-------------------|
| Foreign investors are satisfied with the incentives     | 20%            | 20%   | 30%     | 30%      | Nil               |
| Government should provide more incentives in RMG sector | Nil            | 40%   | 20%     | 30%      | Nil               |
| Garment factories are satisfied with tax policy         | Nil            | 30%   | 30%     | 30%      | 10%               |
| Special economic zone for RMG is needed                 | 70%            | 20%   | 10%     | Nil      | Nil               |

According to the Table – 9, 40% of the respondents said that they are satisfied with the incentives provided by the government. 30% disagreed on this point and 30% remained

neutral. 60% of the respondents stated that government should provide more incentives.

Only 30% respondents are satisfied with the current tax policy and tax rates. In 2015-16 national budget government of Bangladesh increased the tax rate for RMG sector to one percent from 0.30 percent. (The Daily Star, 2015). The ready-made garment experts quickly oppose to this tax hike. They feared that the increase in the tax rate will be disastrous for the industry.

In the survey, 90% of the respondents want a special economic zone for the RMG sector. It will boost up the foreign investment to a great deal. It will also help to develop the backward industry of the RMG sector. A special economic zone where all the garment factories (including backward linkage industry) are situated and getting all the EPZ benefits will definitely reduce the cost of production and boost up the export.

*Facilitating institutions:* There are a number of investment facilitation institutions in Bangladesh, all are working to help entrepreneurs find land, execute deeds, get permissions easily and guide them through the process. Among these BOI, BEPZA, BEZA, BGMEA, BKMEA play an effective role in the garment sector. This study will focus basically on BOI and BEPZA.

Table 10: Impact of Facilitating Institutions

| Statements   | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|--|----------------|-------|---------|----------|-------------------|
| Government institutions are playing an effective role.                       | Nil            | 30%   | Nil     | 30%      | 20%               |
| Incentives provided by government institutions have a positive impact on FDI | Nil            | 10%   | 40%     | 10%      | 20%               |

According to the table -10, most of the respondents are not satisfied with the performance of these institutions.

Around 50% of the respondents disagreed on the point that government institutions play an effective role. Only 30% agreed on the point and remaining 20% did not answer the question.

In another question, 30% agreed that incentives provided by these institutions are not satisfactory. 40% remain neutral on this matter. Most of the respondents claimed that the performance of these institutions can be improved.

*Human resources:* Bangladesh has plenty of unskilled and semi-skilled labor with a very competitive price. Almost 90% of the respondents agreed on this point. Availability of labor with cheap price is the most important motivational factors for doing business in Bangladesh.

*Factors Affecting the Inflows of Foreign Direct Investment in Readymade Garment Sector of Bangladesh: A Study on Selected Garment Factories at Dhaka Export Processing Zone*

Table 11: Human resources

| Statements  | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
|---|----------------|-------|---------|----------|-------------------|
| Bangladesh has a plenty of unskilled & semi-skilled labor with cheap price. | 70%            | 20%   | Nil     | 10%      | Nil               |
| The quality of education and training in Bangladesh is not satisfactory     | 10%            | 60%   | 30%     | Nil      | Nil               |
| Bangladesh still lags on innovation and knowledge indicators                | 20%            | 80%   | Nil     | Nil      | Nil               |
| Government institutions provide training facilities                         | Nil            | Nil   | 40%     | 30%      | 20%               |

According to the table -11, 70% of the respondents agreed that the quality of education and training provided to the labors is not satisfactory. Most of the respondents said that labors are not that much educated and trained. But they can be easily trained up as they are very quick learner.

Every respondent agreed that Bangladesh still lags on innovation and knowledge indicators. If we can improve the situation, foreign investment in the RMG sector will definitely increase.

Almost 50% of the respondents claimed that government institutions do not provide that much training facility.

***Problems identified during the course of the interview :***

During the course of taking the interview of the respondents following are issues that were highlighted by them, affecting directly or indirectly the inflows of FDI.

- i. British companies in Bangladesh cannot export directly from the airport because of some bureaucratic barriers. The government has assigned another British company to deal with these matters, forcing them to go through so many formalities and bear increased costs.
- ii. Companies within the export processing zone faceless bureaucracy than that of the companies outside the zone. They brunt of bureaucracy, they face mainly during the time of exporting and importing products.
- iii. Most of the garments owners stated that they did not suffer from any strike called by the labors working at their enterprise level . But they had to suffer from labor strikes which were called upon by the labor association having connection with the political party line leaders at the national level
- iv. Members of BEPZA provide 100% facilities to the laborers and laborers are found to very much satisfied with that.
- v. Companies within the EPZ suffer from a less labor strike than companies outside the EPZ do.
- vi. Most of the garment owners are satisfied with government's existing policies. But they are not satisfied with the execution of the policies. Policies are made,

but they are not executed properly . Garment owners are not satisfied with the performance of the investment facilitation institutions. They feel that there is enough room for further development of the said institutions.

- vii. Most of the foreign garments' transactions are handled by foreign banks. So they do not face that much difficulty. Interest rate in Bangladesh is too high which is to be reduced.
- viii. Conditions of the roads are very bad. Ports should be developed and more facilities should be introduced. The air and rail facilities are not also up to the mark.
- ix. Almost every respondent focused on backward industry in the RMG sector and claimed to provide more incentives in that industry. Foreign investment in the backward industry is very much crucial. Most of the garment factories are importing their raw materials, increasing the cost of manufacturing.
- x. All the government departments providing support to the foreign investors now are maintaining their own web pages at which investors can easily get information as needed. Board of Investment (BOI) provides one stop services to the investors. Despite all these steps the situation has not been improved much.
- xi. To solve the labor disputes BEPZA has its own labour court. This labour court settles down all the labor related disputes within the EPZ area. Any labour can file complaints against the company in this court. There is a special law department in the BEPZA office where legal advisors provide advices to the labors. EPZ area is well protected.
- xii. BEPZA has got its own rules and regulations which need to be consistent with that of the country. BEPZA should update the rules and regulations and establish a separate legal policy for the EPZ companies.
- xiii. The respondents showed their mixed reactions towards the corruptions. Some are of the opinion that giving to kick back helps them get government approval quickly. In case of importing raw materials and other necessary products for production, they need to pay some unofficial payments to accelerate the formalities, thereby saving time. Many respondents claimed that corruption has become endemic to the bureaucratic system, induces the companies to pay for speeding up the task.
- xiv. Lack of accountability and transparency, proper bureaucracy, the existence of corruption, lack of modern technology and trained human resources are the main reasons for the poor performance.
- xv. Among the organizations BEPZA is doing better than other organizations. BEPZA has its own water and power generation facilities.
- xvi. BEPZA's official website is very well-structured and they can get information

from that website very easily. BEPZA office is also well equipped and can provide necessary information.

- xvii. In the EPZ area workers' association (trade union) exists, but it is not that much stronger. In most of the cases workers' representatives are selected by the management, having little scope to look after the interests of the workers of the organizations operating in EPZ.

## **6. Conclusion**

In Bangladesh FDIs, particularly in the Ready-Made Garments (RMG) industry occupying a unique position in our economy, play an important role in boosting up the economy of Bangladesh. The various factors affecting the inflows of FDIs have been examined based on the perceptions of people working in RMG enterprises at Dhaka EPZ. The findings of the study with regard to the degree of effect the factors, covered under this study, have on the FDI inflows should not be considered as exhaustive ones as in this study a few numbers of factors were examined to find out their effect on the inflows of FDIs in the RMG sectors. Moreover, as this study involves a small chunk of the foreign direct invested RMG factories operating at EPZ, the findings should be considered indicative ones.

However, the study reveals that bureaucracy, political instability that gets visibility in the form of strikes, frequent policy changes have a strong negative influence on the inflows of FDIs. Besides these, lack of physical infrastructure like adequate roads, port facilities, and backward linkages in RMG sectors thwart the inflow of FDIs. Lack of access to information, the existence of inadequate legal & regulatory framework, all pervading culture of corruption also have a negative bearing on the FDI inflows.

Most of the respondents are of the opinion that Bangladesh is a land of cheaper labor having less skill or no skills, but its labourers lag in terms of quality of education and innovation ability, and that BOI and BEPZA are not playing effective roles. Most of the respondents are satisfied with the incentives the government is providing to the sector. Companies within the export processing zone face less bureaucracy than that of the companies outside the zone. Most of the respondents are dissatisfied with the various policies for not being properly executed yet, and suggested establishing a special economic zone for RMG enterprise. Improving the situation requires to establish a corruption free bureaucratic system manned with highly committed people who will be charged with the task of facilitating the inflows of FDIs in order to help this sector to achieve a sustained competitive edge.

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## PERCEIVED SERVICE QUALITY OF PUBLIC AND PRIVATE COMMERCIAL BANKS IN BANGLADESH

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**Abstract.** Customers perceived quality become the widely cited phenomenon in the contemporary marketing literature. This study investigates the perceptual difference between the public and private commercial banks in Bangladesh on the basis of nature, of the bank, profession, income, age, marital status, sex, service experience, and education of the customers. Most of the cases the advanced service become the differential factors and private commercial banks seem to be the out-performer than public commercial banks. On the basis of the findings, conclusions have been made to provide the managerial insights into service quality management in the banking sector in Bangladesh.

**Keywords:** Service quality, Customer satisfaction, Customer loyalty, Commercial banks, Perceived difference

### 1. Introduction

In Bangladesh, the banking industry plays important role in the socio-economic development of Bangladesh. Household and business savings are being properly utilized by the banks by investing the different sectors of the economy. The commercial banks in Bangladesh offer a wide range of service to meet the demand of its customer. Both public and private commercial banks in Bangladesh operate in competitive pressure. There is a perceived difference in public and private commercial banks in service quality dimensions in both types of banks in Bangladesh on the basis of respondent demographics (Rahman & Nurullah, 2014). This work is attempting to investigate the perceptual difference between the public and private commercial banks in Bangladesh on the basis of nature, of the bank, profession, income, age, marital status, sex, service

experience, and education of the customers.

## **2. Review of Literature**

Customer satisfaction and loyalty become the highest importance in today's business scenario. The satisfied customers are recommended, positive word of mouth and the repetitive customer of the organizational product and service. Today's customer becomes the impatient, the voice of customer change frequently over the time. The customer needs and preferences become dynamic in nature (Paul, Mittal, & Srivastav, 2016). Therefore, it becomes the challenge to the commercial banks to investigate the service quality dimensions on the basis of changing demand of customers. Getting a customer and client is not an easy task, it requires the considerable marketing management effort to sell product and service (Ali, & Raza, 2017).

To become a customer of commercial banks in Bangladesh, the customer needs to open an account. The cordial help in opening the account is important because it impresses the customer and this impression rest over the time. The banker needs to provide valuable pieces of advice on deposit. If a customer becomes consistently informed the range of service offered by the banks, he or she will take to motivate another service employed by the bank (Pagaria, & Prajapati, 2017). The security and confidentiality of deposit are prime concerned of customers that need to be strongly maintained. The range of credit facilities to be employed to create value for the customer. Security in bank premises needs to be ensured to create a conducting environment to work for customers and client (Kant, Kant, Jaiswal, & Jaiswal, 2017).

Being online connectivity between all the branches, banks are capable of providing the best customer service. It allows the customer to the cash deposit, cash withdrawals, fund transfer, account statement, balance inquiry. The online banking service allows the customer to the bank from anywhere, anytime with total security and confidentiality (Ilyas, Arshed, & Hussain, 2016). Today's banks are very much conscious to offer extended banking hour to meet the demand of its client. The Specialized desk employed to serve the specialized corporate customers. Responsive to the customer complains become the crucial aspect of today's professional bankers (Othman, & Owen, 2001).

Due to open competition in commercial banks in Bangladesh, the convenient service charges for customer become the competing priorities. Friendly attitude of personnel toward customer become crucially important (Grönroos, 1984). The image of the bank depends on how the customers are satisfied and how do the bank contributes to society (Bahia, & Nantel, 2000). Ease of transaction, prompt service, getting advice, standard interest rate, and 24/7 customer service becomes the satisfaction related factors of today's banking customers (Kumar, Tat Kee, & Taap Manshor, 2009).

If the banks are able to create value for the customer, the will be further motivated to

deposit as well as taking credit facility. Satisfied and loyal customers are curious about the new banking service offered by the bank (Karatepe, Yavas, & Babakus, 2005). They maintain a strong bond of relationship with the beloved bank. They consistently recommend their relatives and friends to be a client of this bank.

### **3. Methodology of the Study**

This section defines the research design, population & samples, data collection period, data collection procedures & techniques and test of reliability of scale of data for examining mean differences in service quality dimensions in terms of basic service, advanced service, and cost and prestige in public and private commercial banks in Bangladesh.

*3.1. Research Design:* This study hypothesis testing in nature, based on what has been found on review of the literature. The hypothesis test has explained the difference between two sets of variables. Finally, data were collected using the survey method where questionnaires are used to collect information.

*3.2. Population and Sample:* For questionnaire survey, convenient method of sampling is used. There is no available source of the customers of the commercial bank in Bangladesh. Therefore, friends, relatives, and other informal reference group were used to locate the potential respondents in Bangladesh. Questionnaires were sent by email, postal mail and directed to 200 respondents during the June- September 2017. The number of initial replies received was 100. After a screening first round replies a second-round personal contact conducted by a researcher and finally 120 respondents are taken for this study.

*3.3. Data Collection Technique:* This study mainly based on primary data originating from a survey. For this purpose, a constructed questionnaire was developed. The questions regarding demographic characteristics and service quality dimensions in terms of basic service, advanced service, and cost and prestige; are constructed, measured and investigated through 5 point Scale standardized by Brayfield-Rothe (1951). The scale consists of 50 statements, for each statement has five options/ points such as strongly agree/ 5, agree/ 4, undecided/ 3, disagree/ 2, and strongly disagree/ 1.

*3.4. Data Analysis Technique and Reliability of Scale:* SPSS Statistics software package was used for statistical analysis. The Cronbach Alpha (Cronbach, 1951) is 0.913. Alpha is higher than that is suggested by Nunnally (1978) and therefore data collected can be considered reliable. Descriptive statistical techniques such as mean and standard deviation were used to measure the mean scores and their variability. One-way ANOVA is used to test the hypotheses.

#### 4. Data Analysis and Findings

Table 01: Nature of Bank

| Nature of Bank         |         | Frequency | Percentage |
|------------------------|---------|-----------|------------|
| Sample Commercial Bank | Public  | 60        | 50.0       |
|                        | Private | 60        | 50.0       |
|                        | Total   | 120       | 100.0      |

Figure 01: Nature of Bank

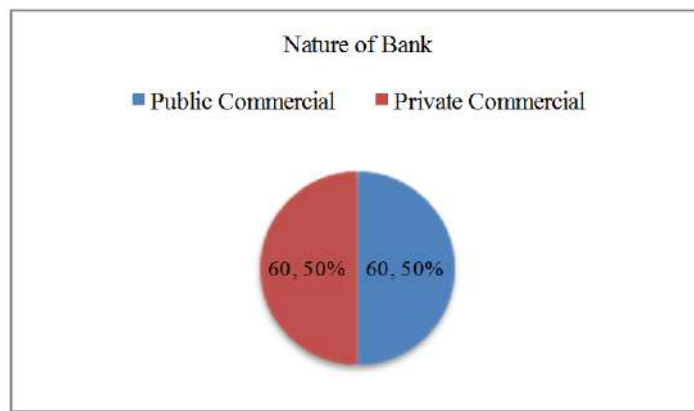


Table 02: One-way ANOVA\* Nature of Bank

| Dimensions        | Nature of Bank | N  | $\bar{X}$ | $\sigma$ | Group Difference | SST    | df  | $\bar{X}^2$ | F     | Sig. |
|-------------------|----------------|----|-----------|----------|------------------|--------|-----|-------------|-------|------|
| Basic Service     | Public         | 60 | 3.58      | .55      | Between          | .016   | 1   | .016        | .051  | .821 |
|                   | Private        | 60 | 3.60      | .57      | Within           | 37.461 | 118 | .317        |       |      |
| Advanced Service  | Public         | 60 | 3.14      | .70      | Between          | 1.776  | 1   | 1.776       | 4.856 | .029 |
|                   | Private        | 60 | 3.38      | .48      | Within           | 43.167 | 118 | .366        |       |      |
| Cost and Prestige | Public         | 60 | 3.39      | .63      | Between          | .044   | 1   | .044        | .124  | .726 |
|                   | Private        | 60 | 3.43      | .55      | Within           | 42.049 | 118 | .356        |       |      |

Questionnaires were distributed to the customers of public and private commercial banks in Bangladesh, among them 50% of the public commercial banks and 50% of private commercial banks. The table-2 shows that the mean difference of service quality dimensions in terms of basic service, cost & prestige are statistically insignificant being obtained by One-way ANOVA test. Statistical significance is found in the case of advance service (the mean value of private commercial banks is higher than that of public commercial banks, statistically significant at the 5% level of significance).

Table 03: Profession of Customer

| Respondent's Demographics |                | Frequency | Percentage |
|---------------------------|----------------|-----------|------------|
| Profession                | Student        | 38        | 31.7       |
|                           | Service Holder | 40        | 33.3       |
|                           | Businessman    | 42        | 35.0       |
|                           | Total          | 120       | 100.0      |

Figure 02: Profession of Customer

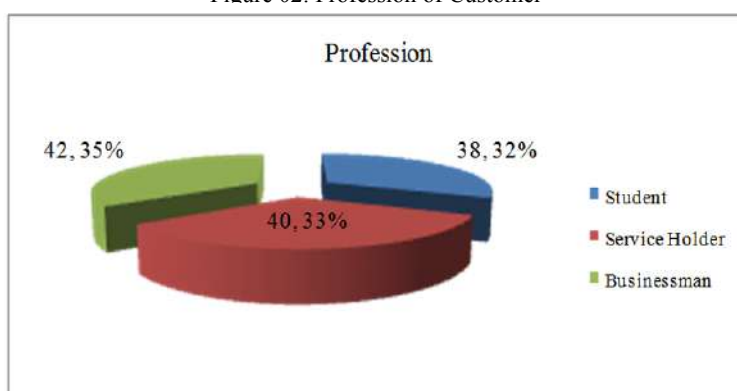


Table 04: One-way ANOVA\* Profession of Customer

| Dimensions        | Profession | N  | $\bar{X}$ | $\sigma$ | Group Difference | SST    | df  | $\bar{X}^2$ | F     | Sig. |
|-------------------|------------|----|-----------|----------|------------------|--------|-----|-------------|-------|------|
| Basic Service     | Student    | 38 | 3.73      | .50      | Between          | 2.257  | 2   | 1.129       | 3.749 | .026 |
|                   | Job        | 40 | 3.65      | .50      | Within           | 35.220 | 117 | .301        |       |      |
|                   | Business   | 42 | 3.41      | .62      |                  |        |     |             |       |      |
| Advanced Service  | Student    | 38 | 3.45      | .67      | Between          | 4.334  | 2   | 2.167       | 6.243 | .003 |
|                   | Job        | 40 | 3.34      | .55      | Within           | 40.610 | 117 | .347        |       |      |
|                   | Business   | 42 | 3.00      | .54      |                  |        |     |             |       |      |
| Cost and Prestige | Student    | 38 | 3.48      | .64      | Between          | 3.597  | 2   | 1.799       | 5.467 | .005 |
|                   | Job        | 40 | 3.59      | .46      | Within           | 38.496 | 117 | .329        |       |      |
|                   | Business   | 42 | 3.18      | .59      |                  |        |     |             |       |      |

The table-3 indicates that 31.7% sample has been drawn from students, 33% from service holder & 35 % sample from the businessman. The One-way ANOVA has been used to determine the mean difference between the student, job holder, and businessman. The result of the ANOVA results indicates that the mean value of the service quality dimensions in terms of the advanced service and cost & prestige differs significantly all the cases.

Table 05: Income Level of Customer

| Respondent's Demographics |             | Frequency | Percentage |
|---------------------------|-------------|-----------|------------|
| Income                    | Below 30000 | 64        | 53.3       |
|                           | 30000-50000 | 47        | 39.2       |
|                           | Above 50000 | 9         | 7.5        |
|                           | Total       | 120       | 100.0      |

Figure 03: Income Level of Customer

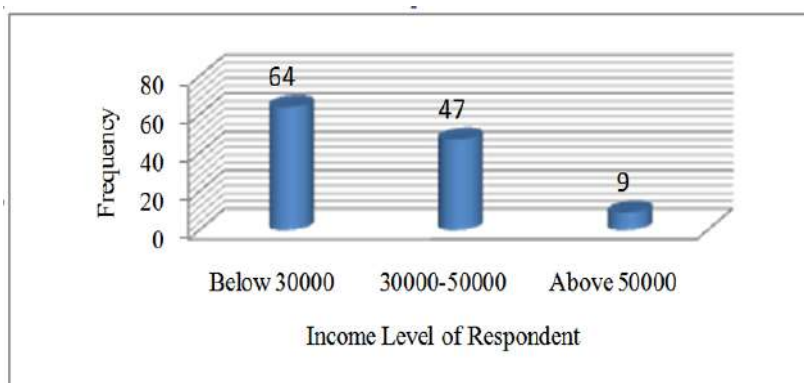


Table 06: One-way ANOVA\* Income Level of Customer

| Dimensions        | Income      | N  | $\bar{X}$ | $\sigma$ | Group Difference | SST    | df  | $\bar{X}^2$ | F     | Sig. |
|-------------------|-------------|----|-----------|----------|------------------|--------|-----|-------------|-------|------|
| Basic Service     | Below 30000 | 64 | 3.66      | .54      | Between          | .708   | 2   | .354        | 1.127 | .327 |
|                   | 30000-50000 | 47 | 3.52      | .58      | Within           | 36.769 | 117 | .314        |       |      |
|                   | Above 50000 | 9  | 3.46      | .55      |                  |        |     |             |       |      |
| Advanced Service  | Below 30000 | 64 | 3.39      | .61      | Between          | 2.305  | 2   | 1.153       | 3.162 | .046 |
|                   | 30000-50000 | 47 | 3.12      | .61      | Within           | 42.639 | 117 | .364        |       |      |
|                   | Above 50000 | 9  | 3.06      | .46      |                  |        |     |             |       |      |
| Cost and Prestige | Below 30000 | 64 | 3.52      | .60      | Between          | 1.556  | 2   | .778        | 2.245 | .110 |
|                   | 30000-50000 | 47 | 3.31      | .54      | Within           | 40.537 | 117 | .346        |       |      |
|                   | Above 50000 | 9  | 3.22      | .65      |                  |        |     |             |       |      |

The table-5 indicates that as per the level of income of customers 53.3% sample has been collected from the customers earning below Tk 30,000, 39.2% sample has been collected from the respondent income range of Tk 30,000 - 50,000, 7.5% sample has been collected from income group earning above Tk 50,000 per month. The table-06 is deployed to determine the mean difference between different income group. The result of ANOVA indicates that the mean value of different income group significantly differs in the case of Advanced service (the p-value is lower than 0.05), and the insignificant differences have been obtained in the cases of basic service and cost & Prestige.

Table 07: Age of Customer

| Respondent's Demographics |                 | Frequency | Percentage |
|---------------------------|-----------------|-----------|------------|
| Age                       | Bellow 30 years | 52        | 43.3       |
|                           | 30-45 years     | 46        | 38.3       |
|                           | Above 45 years  | 22        | 18.3       |
|                           | Total           | 120       | 100.0      |

Figure 04: Age of Customer

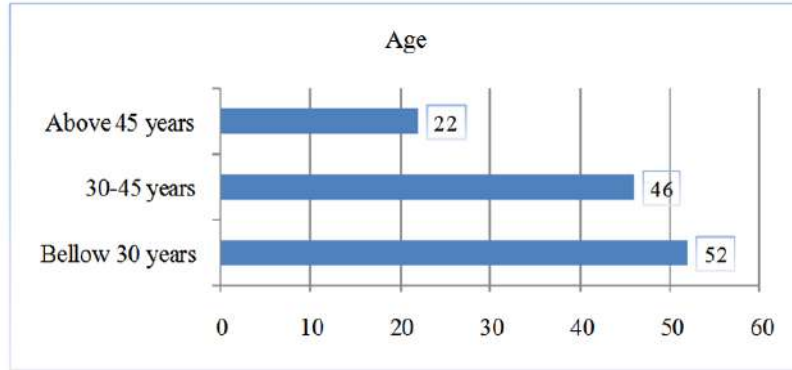


Table 08: One-way ANOVA\*Age

| Dimensions        | Age (Years) | N  | $\bar{X}$ | $\sigma$ | Group Difference | SST          | df    | $\bar{X}^2$ | F     | Sig. |
|-------------------|-------------|----|-----------|----------|------------------|--------------|-------|-------------|-------|------|
| Basic Service     | Bellow 30   | 52 | 3.65      | .55      | Between Within   | .738 36.739  | 2 117 | .369 .314   | 1.175 | .313 |
|                   | 30-45       | 46 | 3.60      | .57      |                  |              |       |             |       |      |
|                   | Above 45    | 22 | 3.43      | .54      |                  |              |       |             |       |      |
| Advanced Service  | Bellow 30   | 52 | 3.29      | .66      | Between Within   | 2.538 42.405 | 2 117 | 1.269 .362  | 3.502 | .033 |
|                   | 30-45       | 46 | 3.36      | .53      |                  |              |       |             |       |      |
|                   | Above 45    | 22 | 2.96      | .56      |                  |              |       |             |       |      |
| Cost and Prestige | Bellow 30   | 52 | 3.48      | .60      | Between Within   | .475 41.619  | 2 117 | .237 .356   | .667  | .515 |
|                   | 30-45       | 46 | 3.38      | .58      |                  |              |       |             |       |      |
|                   | Above 45    | 22 | 3.32      | .59      |                  |              |       |             |       |      |
|                   | Above 45    | 22 | 3.37      | .60      |                  |              |       |             |       |      |

The 43.3% sample has been collected from the customers aged below 30 years, 38.3% sample has been collected from aged 30 to 45 years, and customers service experience above 45 years comprise 18.3% of the total sample. The ANOVA results indicate that, the different aged group vary in terms of advanced service. There are insignificant divergent has been obtained in the cases of basic service and cost & prestige.

Table 09: Marital Status of Customer

| Respondent's Demographics |         | Frequency | Percentage |
|---------------------------|---------|-----------|------------|
| Marital Status            | Married | 72        | 60.0       |
|                           | Single  | 48        | 40.0       |
|                           | Total   | 120       | 100.0      |

Figure 05: Marital Status of Customer

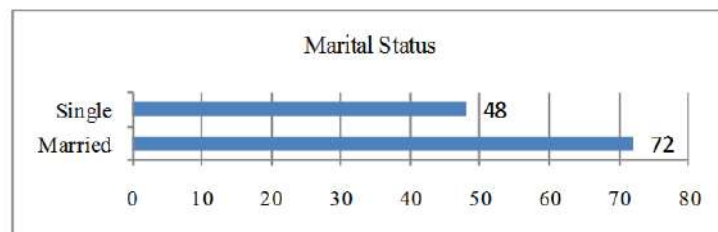


Table 10: One-way ANOVA\* Marital Status

| Dimensions        | Marital Status | N  | $\bar{X}$ | $\sigma$ | Group Difference | SST    | df  | $\bar{X}^2$ | F     | Sig. |
|-------------------|----------------|----|-----------|----------|------------------|--------|-----|-------------|-------|------|
| Basic Service     | Married        | 72 | 3.52      | .57      | Between          | .953   | 1   | .953        | 3.080 | .082 |
|                   | Single         | 48 | 3.70      | .52      | Within           | 36.524 | 118 | .310        |       |      |
| Advanced Service  | Married        | 72 | 3.17      | .55      | Between          | 1.267  | 1   | 1.267       | 3.422 | .067 |
|                   | Single         | 48 | 3.38      | .68      | Within           | 43.677 | 118 | .370        |       |      |
| Cost and Prestige | Married        | 72 | 3.37      | .57      | Between          | .392   | 1   | .392        | 1.109 | .294 |
|                   | Single         | 48 | 3.48      | .62      | Within           | 41.701 | 118 | .353        |       |      |

The sample has been collected 60% from married and 40% of single respondents. The ANOVA results indicate that there are insignificance difference between the married and single respondents in terms of basic service, advanced service and costing prestigious.

Table 11: Gender of Customer

| Respondent's Demographics |        | Frequency | Percentage |
|---------------------------|--------|-----------|------------|
| Sex                       | Male   | 102       | 85.0       |
|                           | Female | 18        | 15.0       |
|                           | Total  | 120       | 100.0      |

Figure 06: Gender of Customer

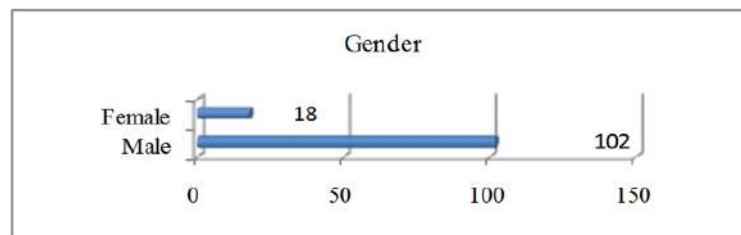


Table 12: One-way ANOVA\* Gender of Customer

| Dimensions        | Sex    | N   | $\bar{X}$ | $\sigma$ | Group Difference | SST    | df  | $\bar{X}^2$ | F     | Sig. |
|-------------------|--------|-----|-----------|----------|------------------|--------|-----|-------------|-------|------|
| Basic Service     | Male   | 102 | 3.57      | .57      | Between          | .405   | 1   | .405        | 1.290 | .258 |
|                   | Female | 18  | 3.73      | .47      | Within           | 37.072 | 118 | .314        |       |      |
| Advanced Service  | Male   | 102 | 3.24      | .60      | Between          | .285   | 1   | .285        | .754  | .387 |
|                   | Female | 18  | 3.37      | .68      | Within           | 44.658 | 118 | .378        |       |      |
| Cost and Prestige | Male   | 102 | 3.41      | .58      | Between          | .015   | 1   | .015        | .043  | .836 |
|                   | Female | 18  | 3.44      | .67      | Within           | 42.078 | 118 | .357        |       |      |

85% sample has been collected from the male respondent and 15 % sample has been down from the female respondents. The table-12, ANOVA results indicate that there are insignificant mean differences among male and female responding in terms of basic service, advanced service and cost & Prestige being statistically obtained.

Table 13: Service Experience of Customer

| Respondent's Demographics |                    | Frequency | Percentage |
|---------------------------|--------------------|-----------|------------|
| Service Experience        | Bellow 5 years     | 48        | 40.0       |
|                           | 5 Years - 10 years | 43        | 35.8       |
|                           | Above 10 years     | 29        | 24.2       |
|                           | Total              | 120       | 100.0      |

Figure 07: Service Experience of Customer

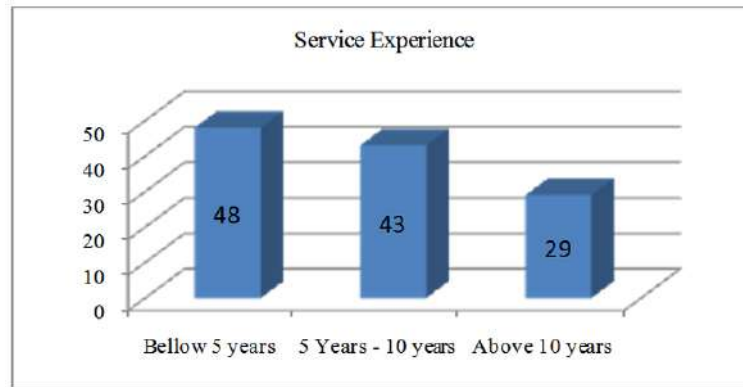


Table 14: One-way ANOVA\* Service Experience of Customer

| Dimensions        | Service Experience | N  | $\bar{X}$ | $\sigma$ | Group Difference  | SST             | df       | $\bar{X}^2$  | F     | Sig. |
|-------------------|--------------------|----|-----------|----------|-------------------|-----------------|----------|--------------|-------|------|
| Basic Service     | Below 5            | 48 | 3.67      | .52      | Between<br>Within | .568<br>36.909  | 2<br>117 | .284<br>.315 | .901  | .409 |
|                   | 5 - 10             | 43 | 3.53      | .60      |                   |                 |          |              |       |      |
|                   | Above 10           | 29 | 3.54      | .55      |                   |                 |          |              |       |      |
| Advanced Service  | Below 5            | 48 | 3.40      | .68      | Between<br>Within | 1.805<br>43.139 | 2<br>117 | .902<br>.369 | 2.447 | .091 |
|                   | 5 - 10             | 43 | 3.12      | .60      |                   |                 |          |              |       |      |
|                   | Above 10           | 29 | 3.22      | .45      |                   |                 |          |              |       |      |
| Cost and Prestige | Below 5            | 48 | 3.48      | .67      | Between<br>Within | .410<br>41.684  | 2<br>117 | .205<br>.356 | .575  | .564 |
|                   | 5 - 10             | 43 | 3.38      | .59      |                   |                 |          |              |       |      |
|                   | Above 10           | 29 | 3.35      | .44      |                   |                 |          |              |       |      |

The service experience of the customer has been investigated. The table 13 shows that 40% customer service experience below 5 years, 35.8 percent experienced 5 to 10 years, and 24.2% customer has 10 years experience with banking service. The table 14 is employed to indicate the main differences between the group in terms of basic service, advanced service and cost & prestige. The results of the study indicate the insignificant difference between the group in terms of quality dimensions being attained.

Table 15: Educational Attainment of Customer

| Respondent's Demographics |          | Frequency | Percentage |
|---------------------------|----------|-----------|------------|
| Education                 | SSC      | 30        | 25.0       |
|                           | HSC      | 30        | 25.0       |
|                           | Bachelor | 46        | 38.3       |
|                           | Master   | 14        | 11.7       |
|                           | Total    | 120       | 100.0      |

Figure 08: Educational Attainment of Customer

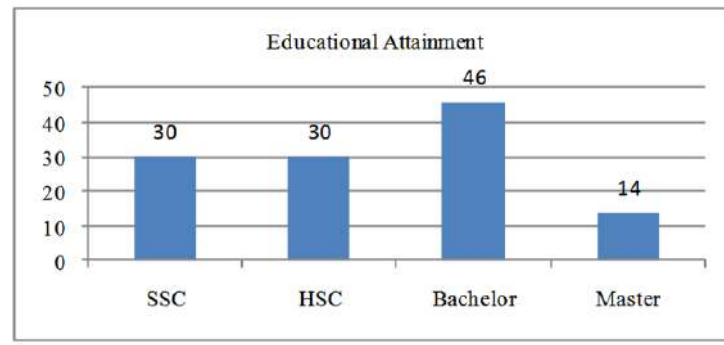


Table 16: One-way ANOVA\* Educational Attainment of Customer

| Dimensions        | Education | N  | $\bar{X}$ | $\sigma$ | Group Difference | SST    | df  | $\bar{X}^2$ | F    | Sig. |
|-------------------|-----------|----|-----------|----------|------------------|--------|-----|-------------|------|------|
| Basic Service     | SSC       | 30 | 3.66      | .53      | Between          | .804   | 3   | .268        | .847 | .471 |
|                   | HSC       | 30 | 3.46      | .60      | Within           | 36.673 | 116 | .316        |      |      |
|                   | Bachelor  | 46 | 3.60      | .57      |                  |        |     |             |      |      |
|                   | Master    | 14 | 3.70      | .46      |                  |        |     |             |      |      |
| Advanced Service  | SSC       | 30 | 3.39      | .55      | Between          | .933   | 3   | .311        | .820 | .486 |
|                   | HSC       | 30 | 3.25      | .49      | Within           | 44.011 | 116 | .379        |      |      |
|                   | Bachelor  | 46 | 3.16      | .74      |                  |        |     |             |      |      |
|                   | Master    | 14 | 3.30      | .48      |                  |        |     |             |      |      |
| Cost and Prestige | SSC       | 30 | 3.46      | .67      | Between          | .354   | 3   | .118        | .328 | .805 |
|                   | HSC       | 30 | 3.33      | .54      | Within           | 41.740 | 116 | .360        |      |      |
|                   | Bachelor  | 46 | 3.45      | .63      |                  |        |     |             |      |      |
|                   | Master    | 14 | 3.37      | .34      |                  |        |     |             |      |      |

The table 15 indicates that, 25% sample has been collected from customer who have obtained SSC, 25% from HSC, 38.3% from Bachelor, and 11.7% Master holder. The ANOVA results indicate that the mean difference of different educational background found to be statistically in significance in all the cases.

## **5. Conclusions**

The study reveals that in the private commercial banks is a high performer in dealing with advanced services compared to the public commercial banks in Bangladesh.

Students are highly concerned for basic service and advanced service on the other side job holder and the businessman is highly concerned about cost & Prestige.

The different income groups have differential perceptions regarding advanced service. It is observed that low income group highly concerned for each and every service quality dimension compares to the high income group.

The perception of younger in terms of basic service and cost & prestige seems to be alive to be same between the different income group.

The mean value of single (unmarried) respondent of public and private commercial banks is higher than married respondents in all the cases, but statistically insignificant mean divergent being observed.

The women respondents are slightly higher concern for quality of service in terms of basic, advanced and cost and prestige that's of male respondent but it is statistically insignificance mean difference have been observed in all aspects of quality dimensions

Lower experienced customer is highly concerned for service quality dimensions, but statistically insignificant mean difference being obtained all the cases..

The customer who have low educational attainment concerned for basic and advanced service. The highly educated customers are concerned for advanced service and cost & prestige are obtained statistically insignificance mean difference.

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