

Report On
Impact of Corporate Governance on Bank's performance in
Bangladesh

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School
BRAC University
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Declaration

It is hereby declared that

1. The internship report submitted is my own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

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Letter of Transmittal

Md. Shamim Ahmed

Deputy Registrar, Lecturer & Assistant Dean (Accreditation & Quality Assurance)

BRAC Business School

BRAC University

Subject: Submission of internship report on "Impact of Corporate Governance on Bank's performance in Bangladesh".

Dear Sir,

It is indeed a great honor to be able to hand over my internship report on " Impact of Corporate Governance on Bank's performance in Bangladesh". I have attempted my best to finish the report with the essential data and recommended proposition in a significant compact and comprehensive manner as possible. The information and data used in this report are mainly based on secondary resources like annual reports and some research reports previously done by various authors.

I am grateful to you for allowing me to work on this issue. While working on this report, I have gained much knowledge about the bank's current state as well as the importance of corporate governance in a firm. I trust that this report will meet the desires.

Sincerely yours,

Najifa Tabassum

15104047

BRAC Business School

BRAC University

Date: August 25th, 2019

Non-Disclosure Agreement

This agreement is made and entered into by and between BRAC Bank Limited and the undersigned student at BRAC University.

.....

Najifa Tabassum

Acknowledgement

It is a great opportunity for me to write about the "Impact of Corporate Governance on Bank's performance". At the time of preparing this report, I have gone through different research papers and books which helped me understand the topic more effectively.

I acknowledge with gratitude to Md. Shamim Ahmed, my respective faculty, who has always been sincere and helpful towards me achieving the completion of this report. He also helped me to understand the need and importance of corporate governance in a firm in Bangladesh and where it lacks. Without his immense knowledge and advice, it would not have been possible for me to complete this report. I am thankful to him for his continuous support throughout this internship period.

I would also like to express my heartfelt gratitude to the Branch Governance Team of BRAC Bank Limited. Without their continuous help it would not have been easy to do my job properly. I am thankful to Mr. Ali Talukder, head of Branch Governance Team for his advice and knowledgeable thoughts. Under the supervision of Mr. Omar Faruk, Senior Manager of Branch Governance Team, I could learn how they manage and deal with 186 branches of BRAC Bank Limited throughout the country. I am extremely thankful to him for his immense support and guidance.

Executive Summary

Bank administration has ended up as an unmistakable issue over the decades ever since the collapse of numerous financial institutions amid and after worldwide monetary emergency. Subsequently, controllers in creating nations like Bangladesh have ended up being more concerned about the financial health and governance of banking industry. One of the main issue in failing of financial performance of the banking industry in Bangladesh is the destitute state of corporate administration. A good corporate body can ensure a good financial economy in the country. Since, banks are one of the major industry that contributes to the GDP growth of our country, it is very essential for the regulators as well as the government to ensure a sound corporate governance existence in the commercial bank's governing body. To demonstrate the idea that has noteworthy affect on the bank's money related execution in Bangladesh, the report has gone through some statistical and empirical analysis. The result has shown a tremendous fact. The findings of the analysis shows that without a proper governing body, which means a good corporate governance, a bank's performance hinders. As a result an economic slump occurs in the country. The analysis also justifies the fact that there is a prodigious relationship between the factors of corporate governance and a bank's performance. To sum up, it is necessary for a country to put extra effort to constitute a proper guidance and regulations for corporate governance with a view to achieve greater performance in financial sector.

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Chapter 1

Introduction

1.1 Origin of the study

The essential reason of this report is for the fulfillment of BBA program in BRAC University. The educational programs of BBA program comprise of two parts. The first one is all about knowledge, different theories and ideas. The second part is to learn practically. Therefore, an internship program which is set for three months is applied to learn the practical knowledge, job and dealing with practical situation.

To fulfill this requirement, I have done my internship at BRAC Bank Limited in the Branch Governance department. Since I worked with Branch governance team, I learned the basics of how to deal and cooperate with the 186 branches of the bank in the country. Moreover, as a job requirement, I had to visit two other branches of BRAC Bank Limited which are Banani and Shantinagar branch, to observe and to know about customer satisfaction. During this internship period I also came to know from my supervisor as well the other associate team managers, that without a good corporate body in a bank, it is not possible to function profitably. Hence, I decided on the topic "Impact of Corporate Governance on Bank's performance in Bangladesh" for my internship report.

1.2 Report Objective

The primary purpose of this report is to analyze the affect of corporate administration components on the general monetary execution of a bank. This report also analyzes the issues with corporate governance because of which a firm's performance greatly hinders.

The specific objectives of this report are:

- To know the importance of corporate governance;

- To analyze the impact of corporate governance on firm's performance;
- To know the contribution of each mechanisms on creating profit;
- To analyze the correlation between factors of Corporate administration and bank's financial execution.

1.3 Scope of the study

For performing profitably, a firm's corporate governance is a very important aspect. The slight increase or decrease on the components of corporate governance can incredibly affect the financial situation of a bank. Hence, this report has gone through some tests that can clarify the issue regarding corporate governance. As the data of this report are collected from each bank's annual report, the bank's therefore, can use the findings of this report for further research. The recommendation of this report also can be considered as it is highly base on the result found through the study.

1.4 Methodology

The data used in this report are mostly taken from different research paper, online articles and bank's annual reports. The only primary source of this report is the theoretical parts of BRAC Bank Limited, which was possible to obtain through the managers and supervisor of my department. The mathematical findings are solely based on the annual reports of each bank. To test the mentioned issue, I have selected 10 listed commercial banks of Bangladesh, and did multiple regression analysis to come to a conclusion.

1.5 Limitations of the study

While preparing for the report, several situation occurred that hindered this report to have further research and accuracy. Some of these barriers are:

- The financial part is solely based on the secondary report such as annual reports of banks. Hence, accuracy can differ from reality;
- The primary source could not be used in doing the analysis as per bank's confidentiality policy;
- Collecting all the data and information from each bank's annual reports and other sources was a very challenging work.
- Time constraints plays a huge role in hindering the report's accuracy and perfection. As it is a very important topic, only some elements cannot wholly decide the result. For doing it on a large scale, there should be enough time. Three months is not enough to make a report which can judge such an important issue.

Chapter 2

Literature Review

2.1 Corporate Governance

Corporate governance knows different definitions. A few authors see it as a blend of diverse instruments that coordinate and control the organization (Kim et al. 2005); Hassan (2008). There are two important sides of corporate governance (CG): conformance and execution. The first one comprises of checking, administering and being accounted to distinctive partners (Hassan and Halbouni, 2013), whereas execution measures the commitments of directors in getting performance. Within the matter of corporate administration changes, a critical angle is whether the execution of corporate governance principles and codes features a positive effect on firm performance.

Corporate governance may be a multifaceted concept which has pulled in different understanding and elucidations, in like manner, there is not only one definition of corporate governance. Diverse creators have clarified corporate governance in an unexpected way and relate it with various corporate issues. (McConomy and Bujaki,2000); (Robert et al,2005); Grahamling and Hermanson (2006) for example characterized corporate governance as the framework in which companies are directed and controlled in conducting businesses. It could be a set of instruments with the point of securing shareholders' interests' (Shleifer and Vishny (1997); Tirole (2001). From the definition; we find that corporate administration center on the point of running companies in an appropriate way in order to maximize shareholders esteem. In impact it is considered as a bridge that relates shareholders and company's supervisors.

2.2 Corporate Governance & Bank performance

Numerous analysts have attempted to evaluate the pertinence of corporate administration on the firm's performance through analyzing relationship between the two utilizing distinctive markers. Some creators have proposed that corporate administration viability have to be surveyed on its measure, freedom and composition (John and Senbert; 1998). The defenders of this point contend that estimate, autonomy and composition offer assistance to donate general picture of the corporate governance and its commitment to the firm execution. A few of the creators such as: Raja and Kumar (2007), Hutchinson and Gul (2004), Eli Mir and Seboui (2008) and Weir and Lang (2008) investigated the board composition, independence, possession and board measure component. It may be a analyst conviction that these components can illustrate the real commitment of the corporate governance additionally can offer assistance to draw the common thought of corporate governance.

With respect to performance there are three fundamental approaches to firm execution in social science research: inquire about based on market costs, accounting proportions and add up to calculate profitability (Bocean and Barbu, 2007). One of the foremost utilized proportion within the accounting ratios with respect to corporate governance is return on equity (ROE), return on asset (ROA) and economic value added (EVA) can be utilized to evaluate the overall productivity of a company. While a multiple regression analysis can be done to legitimize its affect on bank's performance.

Chapter 3

Company Overview

3.1 Profile of BRAC Bank Limited

BRAC Bank is a performance-driven organization, it is now one of the leading bank in Bangladesh. BRAC Bank Limited values its core values most, which is the welfare of the people, therefore in their every activity, they implement it. The bank started with the vision to supply keeping money arrangements to the small and Medium Business people as to assemble for their capital which was a challenge at that time. Taking motivation from its parent organization BRAC, the biggest NGO within the world, BRAC Bank presented small credits to the small and medium ventures (SME), to particularly bring those business people beneath the umbrella of formal banking services. Nowadays, nearly half of BRAC Bank's loaning portfolio comprise of small and medium endeavors In 2001 BRAC Bank did not begin its travel like several other routine banks. In the course of recent decades, customary banks were reluctant to contribute in SME division. When it was practically unimaginable for the SME businessmen to incite financing from the financial business in Bangladesh, BRAC Bank wandered forward and came to support these unbanked SME business people.

BRAC Bank is the main individual from the Global Alliance for Banking on Values (GABV) from Bangladesh. The Worldwide Collusion includes 48 (as of May 2018) budgetary foundations in countries over Asia, Africa, Australia, Latin America, North America and Europe.

BRAC Bank offers the 3P Logic which are Individuals (people), Planet and Benefit (profit). They accept that they have duty towards the individuals they work with and the

places they work in. Besides, as per their mission, they accept that it is their obligation to work for the improvement of the individuals and the society.

BRAC Bank nowadays

Profit after tax		BDT 5,250 m (↑ 18%)	
Non-performing loans		3.56%	
Credit rating	S&P Global	B+	
	MOODY'S Investors Service	BA3	
Total deposits		BDT 196.2 BN (↑16%)	
Branches	SME unit offices	186	457
ATMs	CDMs	447	90
Total loans & advances		BDT 202.6 BN (↑17%)	

Table: 1- BRAC Bank's current state

3.2 Corporate Mission

- Sustainable development in Small & Medium endeavor division;
- Continuous growth with controlled advancement in retail assets;
- Corporate Assets to be upheld through self-risk preparation;
- Growth in assets through syndications and hypothesis in speedier advancing divisions;
- Continuous endeavor to extend non-funded income;

3.3 Corporate Vision

Building a beneficial and socially dependable budgetary institution centered on market and commerce with potential development, subsequently helping BRAC and its partners to construct a fair, illuminated, sound majority rule and destitution free Bangladesh.

3.4 Corporate core values

- Strive for benefit and sound growth;
- Value and respect people and settle on decisions dependent on avocation;
- Base acknowledgment and reward on benefit;
- Value reality that "we are a piece of BRAC family";
- Work as a solitary gathering to serve the main captivated of the proprietors;
- Having a strong customer focus and develop associations dependent on trustworthiness, prevalent advantage and normal advantage;
- Be persistent within the interest of trade development and improvement.

3.5 Corporate Divisions and department

<ul style="list-style-type: none"> ➤ SME Banking Division ➤ Retail Banking Division ➤ Corporate Banking Division ➤ Treasury & Financial Institutions Division ➤ Credit Risk Management ➤ Operational Risk Management 	<ul style="list-style-type: none"> ➤ Distribution Network – Branch Governance Department, Internal Control and Compliance Department. ➤ Human Resource Division ➤ Customer Experience–Customer Satisfaction Department ➤ Operations Division ➤ Information Technology & Research and Development Division ➤ Corporate Affairs Division
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Table 2: Various department & divisions of BRAC Bank

3.6 Products and services

BRAC Bank Limited provide products and services to its customers through its three main wings. The division wise products and services are given below-

1. SME Banking Division -

- Deposit- Prapti Current Account, Prachurjo Fixed Deposit, Shonchoy SME Deposit.
- Loan-Annono, Apurbo, Shakti, Prothoma, Shomriddhi, Agriculture Finance.

2. Retail Banking Division -

- Deposit-Savings, Current, Team Deposit, Credit Cards.
- Loan-Secured Loan/Overdraft, Personal Loan for Landlord, Individual Credit for Proprietor, Individual Credit for Specialists, Auto Advance, Individual Advance, Domestic Loan.

3. Corporate Banking Division -

- Services-Corporate Cash administration Account, Custodial administrations, Secured Cash Service, Syndication Arrangement.
- Non-Funded Facilities- Letter of Credit (LC), Letter of Guarantee (LG).
- Funded Facilities- OBU Credit, Overdraft, Group Advance, Short Term Loan, Lease Finance, Trade Finance, Work Order Finance, Bill Purchase, Project Finance, Commercial Paper/Bond.

3.7 Assigned department & internship activities

On 24th April 2019, my journey as an intern at BRAC Bank Limited was started. I was appointed to work for the Branch Governance Team, which is under the Distribution Networks division. This department consists of six people. It plays a vital role for the BRAC Bank Limited.

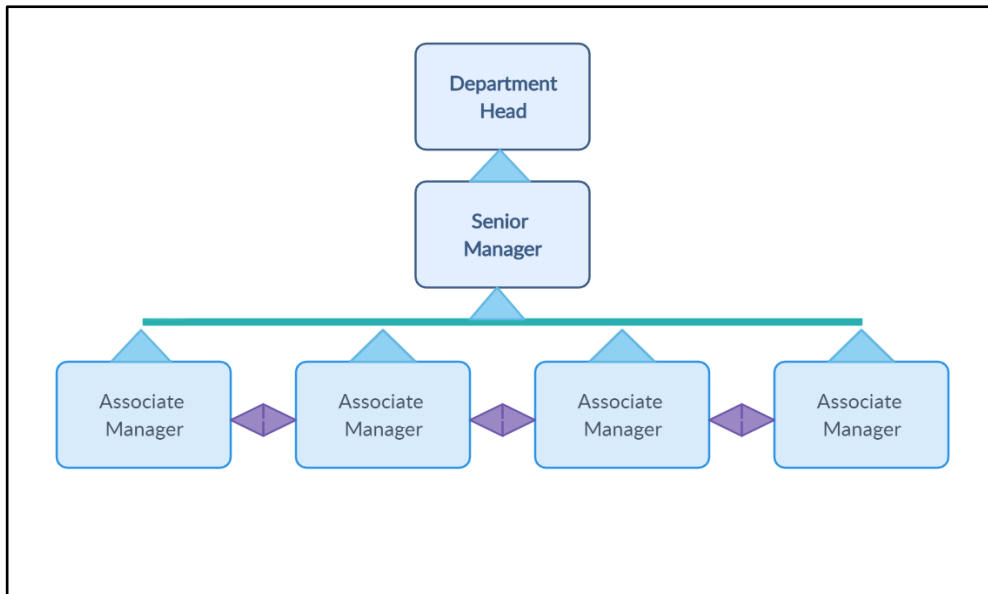


Fig: Branch Governance department organogram.

Since then I worked on diverse kind of tasks such as lockers issues, communication among branches, branch inspection (visited Banani & Shantinagar Branch), BBL Touch, different types of survey collections, BOM/BM tasks issues, conduct exams and interviews, distributions of letter and uniforms and so on. Despite these tasks, I also work on two projects, which are the Cash Transaction Report (CTR) project. These projects were very notable in my internship period. CTR project is concerned in monitoring cash transaction to prevent money laundering.

3.8 Internship experience & learning

All through my internship period, I got the opportunity to learn so many things and experienced this large organization. The things that I experienced and learned from my internship at BRAC Bank Limited are presented below –

- **Personal Skills & Development** – I got the opportunity to implement my own skills such as analytical ability, patience, punctuality, teamwork ability, leadership, hard work, dedication and so on at BRAC Bank Limited while I work on any tasks.

As a consequence, I was able to identify my lacking and work on it to give a better shape of myself.

- **Software Knowledge** – All the organizations are entirely based on a different kind of software. Throughout my internship period at BRAC Bank Limited I was engaged with a different type of software such as Microsoft Excel, Word, PowerPoint, Outlook and so on where I used my prior software knowledge as well as I got to learn some new things of software at BRAC Bank Limited.
- **Cooperation** – Amid my internship period at BRAC Bank, I worked for the Branch Governance where its main objective is to cooperate the branches and associated departments for any issues. I experienced how cooperation played an important role to solve and accelerate any operation. I learned from my internship how to cooperate with others for any particular issues to accomplish something.
- **Dealing with Customers** – During my internship period, I was involved in the Cash Transaction Report (CTR) project, where I dealt with so many customers. It was very challenging for me at the beginning, but later I found it really interesting, and successfully, I have done the project.
- **Communication Skills** – Throughout my internship period, I communicated with so many stakeholders of BRAC Bank Limited. That really helps me to improve my communication skills. And I believe this thing will be a favorable me in further.

Chapter 4

Corporate Governance

4.1 What is Corporate Governance?

Corporate governance has ended up being a burning dialog in created and creating nations these days. A Corporate governance framework is comprised of a wide extend of practices, bookkeeping measures and laws concerning money related materials. A Corporate governance framework characterizes who possesses the firm and directs the rules by which returns are dispersed among shareholders, workers and supervisors. Besides, corporate governance alludes to a complimentary set of lawful, financial and social institutions that secures the interface of a corporation's proprietor. Great corporate administration practices are vital in diminishing hazard for financial specialists, drawing in speculation capital and moving forward the performance of companies. Corporate administration hence calls for three variables:

1. Straightforwardness whereas making choice with respect to the company;
2. Responsibility which takes after from straightforwardness since duties can be settled effectively for activities taken or not taken;
3. The responsibility is for shielding the interests of the shareholders and speculators of the company.

4.2 Issues in Corporate Governance in Bangladesh

The vast majority of the organizations in Bangladesh rely upon the banks as their significant wellspring of financing. By the by, the past few years have seen a slight inclining towards Corporate administration since of components like deregulation, disintermediation, institutionalization and globalization. Whereas these variables will

make the markets exceptionally viable in controlling the shareholders, there are numerous things that the government and the controllers are however to do to progress this capacity. Additionally, there has been disappointment in most of the components of Corporate Administration. Usually due to:

- **Corporate possession structure:** All corporate administration frameworks spin around four focus measures: sensibility, obligation, duty and straightforwardness. The difficulties of keeping up these guidelines rely upon the ownership structure of the organization. Be that as it may, in this nation, common practice is that the corporate structure of a company is controlled and ruled by family individuals. This sort of enactment ruins the level of decency, responsibility and straightforwardness of a great corporate administration.
- **Inadequate liquidation laws:** Insolvency laws and forms in Bangladesh, are not one or the other satisfactory sufficient within the field of arrangements and solid in terms of authorization. With destitute liquidation laws and forms, no nation can have a sound corporate administration benchmarks.
- **Accounting guidelines, review & divulgence:** The circumstance of inner review; accounting standards and its impacts on corporate governance and management practices in Bangladesh are not isolated from each other. Moreover, the Bangladeshi accounting standards are based on Generally Accepted Accounting Principles (GAAP) developed by various accounting experts and not relied on modern day codified law. Additionally, these measures are shareholder situated. Hence, such standards have a certain sum of affect on accomplishing a great corporate governance.
- **Limited or no divulgence with respect to related party exchanges:** Related party exchanges are not legitimately expressed within the budgetary reports of

companies in Bangladesh. Thus, it impacts the corporate administration and driven to a destitute company execution as divulgence of related party exchanges plays a crucial part on accomplishing towards a great corporate governance.

- **Weak administrative framework:** Bangladesh still takes after the ancient lawful framework acquired from the British organization from that time. Right now, the Companies Act of 1994 is the, as it were guideline that controls the residential enterprises and institutions. The other noteworthy laws which has imperative part in overseeing the corporate segments of this nation are: Securities and Trade Law 1969, Bangladesh Bank Order 1972, Bank Companies Act 1991, Financial institution Act 1993, Securities and Trade Commission Act 1993 and the Insolvency Act, 1997. In this manner, frail administrative framework is an impediment in getting enhancement in corporate governance within the nation.
- **No market for corporate control:** Market for corporate control plays an imperative watching capacity in corporate administration, as incapably regulated organizations will progress toward becoming takeover targets. Nevertheless, In Bangladesh, there seems to have no market for corporate control.
- **Capital market role:** Capital market energizes incredible administration through information generating and checking. Bangladesh does not have much significance in its value market. The capital market of Bangladesh is as yet a delicate interface within the improvement towards strengthening corporate administration. The general execution proportions of the securities exchange shows low trading volume, unpredictable bumps, not various present day contributions and uncertain valuations more on the declining side.

4.3 Corporate Governance & Bank Performance

The need for a competent financial ground in Bangladesh is essential for stimulating and supporting financial development through productive asset allocation. The money related framework additionally improves development by pooling risks and encouraging exchanges. The part of monetary division in financial development is indeed more prominent in Bangladesh as it's mediocre edge of blunders in asset allotment is small. The number of bank failures and monetary emergencies amid the last two decades raised questions on the competency of the administration practices of the banking framework. The undesirable banking practices such as destitute chance enhancement, insufficient advance assessment, false exercises were as much mindful as other macroeconomic components. The quality of corporate governance of banking institutions decide the success of the financial improvement. Nonappearance of legitimate checking and control components cripple the potential great impact of monetary improvement on the financial development.

Currently, in Bangladesh, there are 59 scheduled bank. The banking sector of Bangladesh also impacts the economy heavily as it is a major player in contributing to GDP growth. One of the main reason of being in a poor state in overall economic performance for the last decade, is the absence of good corporate governance. A good corporate governance has extraordinary impact on a bank's performance. It is the main objective of this report to determine the relationship between corporate governance and bank's performance and whether it effects emphatically.

4.4 Relationship between Corporate Governance & Bank's Performance in Bangladesh

4.4.1 Hypotheses Development

To decide the impacts of corporate governance factors on budgetary performance of Bangladeshi listed banking companies, several dynamic research method has been used. As variables of corporate governance, following indicators are taken into consideration.

Board Size: A board plays a crucial part as a component of corporate governance. The board of chiefs gives direction and proposals to the administration of the organization as well. Board estimate is the entire number of executives that an organization has in its board structure. This can be calculated, as the entire least number of executives (at slightest five) required by the central bank over the full number of directors within the board of directors at the end of the annual financial year. In association with a connection between the proportion of a board and a company's execution, there are two assessment. The essential one says that a smaller board measure will contribute more to the achievement of a firm. Notwithstanding, the hesitation thinks about that a far reaching board measure will make progress in an association's exhibition. In this way, it exhibits that a huge board will support organization more effectively since of a complex of business condition and a hierarchical culture. Plus, a far reaching board collect considerably more information. Therefore, an enormous board size has all the earmarks of being better for firm execution. On the ground of this, the primary theory is:

H₁: There's a positive connection between board gauge and a company's exhibition.

Audit Committee: Audit board has a basic impact in watching and controlling the execution of top organization. Additionally, it functions as an additional control segment

that ensures that the investors premiums are being protected. Bangladesh Bank and SEC have made it necessary for all banks to establish a board review council containing a least of three people and it'll hold at scarcest three social affairs in a year. A smaller audit advisory group with experienced and talented people envelops a hitting constructive alliance with hierarchical execution as in critical occasions a review board of trustees with less people can without much of a stretch take choices. In light of this the subsequent hypothesis is:

H₂: There's a positive connection between audit board and an association's performance.

Non-Executive Directors (NED): A non-official director besides has a basic impact in choosing an association's development. Regardless of the way that a non-official executive consistently does not participate in inside the everyday administration of the association yet is incorporated into arrangement making . Henceforth, influencing the outrageous consequence of a company's execution. Therefore, the third theory would be:

H₃: There is a positive relationship between non-executive directors and a bank's performance.

Board Committee (BC): Board committees are internal administrative and supervision board chosen by an outside executive which supervises the successful operation and acts of the board of directors. According to Bangladesh bank and SEC, a firm's board should have at least 2 committee. Each committee has allocate duties given by the board. Each committee therefore, contributes to the financial performance as their assigned job has great affect on the firm's performance. Thus, the fourth theory is:

H₄: There is a positive relationship between a company's performance and it's board committee.

Independent Directors (ID): The autonomous executives are as significant as different directors of the board. Consenting to the principles of Bangladesh Securities and Trade Commission, (2018), the quantity of independent executives should be at smallest one fifth of the general number of directors on the board. In numerous poor nations it is seen that, the independent executives are for the most part from relatives of the directors. Thus, making a family chain of importance inside the firm which enormously impacts the performance of the organization. In any case, when a business domain mixes, firms with various autonomous administrators have had lower probability of account for indebtedness. Accordingly, a research theory is shown underneath.

H₅: There is a positive connection between free executives and a bank's financial execution.

Foreign Ownership (FORown): Foreign ownership of a bank means that how much of its ownership belongs to a foreign investor/s. The foreign ownership can heavily impact a firm's performance. The foreign investors have their own set of regulations, by which they want to control over certain portion of a firm. It can sometimes be a good or a bad impact to have a major ownership of foreign markets. Within the setting of Bangladesh, it is seen that the more possession of a foreign financial specialist has, the more the firms execution falls apart basically due to components like diverse set of controls, remote perceptions and sometimes, foreign markets interference within the choice making process of administration of the company. Based on this the 6th theory is:

H₆: There is a negative relationship between bank's performance and foreign ownership.

4.4.2 Methodology

All the information and data utilized for this report are taken from annual report of each bank. As the bank will not provide these data, I had to use secondary research. This report

is based on the 10 listed commercial bank's five year performance (2014-2018). Subsequently, the test estimate is 50.

The reason of this report is to discover the affect of corporate governance on a bank's performance. Subsequently, I have utilized (ID, BC, FORown, BS, NED, ADcom) as the factors for corporate governance. On the other hand, as a bank's performance indicator I have taken ROE into consideration to determine a firm's value, since ROE measures how efficiently a company is generating income from its equity.

Variables Indicator	Full form
ID	Independent directors
BC	Board committee
BS	Board size
NED	Non-executive directors
FORown	Foreign ownership (%)
ADcom	Audit committee
ROE	Return on equity

Table 3: Variable indicators

The multiple regression examination moreover has been utilized to analyze the relationship between independent factors and subordinate variable. Hence, the regression condition is:

$$\mathbf{ROE = \alpha + \beta_1 BS + \beta_2 ID + \beta_3 ADcom + \beta_4 NED + \beta_5 BC + \beta_6 FORown}$$

Chapter 5

Data Analysis

5.1 Descriptive Statistics

The descriptive measurements of the information test is given below:

<i>Variables</i>	<i>ROE</i>	<i>FORown</i>	<i>ID</i>	<i>BC</i>	<i>NED</i>	<i>ADcom</i>	<i>BS</i>
Mean	0.09783	0.06372516	2.6	3.1	7.9	2.8	11.64
Median	0.09855	0.018	2	3	8	3	12.5
Standard Deviation	0.049961	0.094433619	1.124858	0.952976	2.09226	0.606092	3.451
Sample Variance	0.002496	0.008917708	1.265306	0.908163	4.377551	0.367347	11.91
Kurtosis	-0.43379	0.206740386	-0.00339	-0.57254	-0.8408	-0.362	-1.01
Skewness	-0.16474	1.414621163	0.860323	0.530567	-0.27992	0.114577	-0.15
Minimum	0.0008	0	1	2	4	2	5
Maximum	0.197	0.257	5	5	11	4	17
Count	50	50	50	50	50	50	50

Table 4: Descriptive statistics of the variables

By analyzing the table 3, we can see that the mean of ROE is 0.09783 with a standard deviation of 0.049961. The maximum ROE percentage is 0.197 whereas the minimum percentage is 0.0008. Also, we can see that the maximum board size is 17 and minimum is 5. According to BSEC, the maximum board size shall be 20 and minimum is 5. The descriptive statistics result also shows that the NED is negatively skewed with a skewness of -0.27992 and a Kurtosis of skewness is -0.8408, which also confirms the fact that this variable is skewed to the left with a flatter distribution than a normal curve. Again, it is seen that, FORown is positively skewed with a skewness of 1.414621163 and a kurtosis of skewness is 0.206740386. This implies that the variable is skewed to the right.

Furthermore, the maximum foreign ownership is 0.257 and minimum is 0.00. Moreover, it can be seen that the maximum number of BC is 5 and minimum is 2 which is considerably good according to the BSEC. The maximum ID number is 5 and minimum is 1, it is not a good sign to have only one ID in the board of directors according to the regulations of company act(1994). There should be at least two independent directors in the board of a company. The maximum ADcom members are 4 and minimum is 2 which can be considered as a good trait, since the more member in ADcom can only create jeopardy. In addition, the other variables are skewed with a negative kurtosis. This is due to the unusual distribution of data.

5.2 Correlation Matrix

<i>Variables</i>	<i>ROE</i>	<i>FORown</i>	<i>ID</i>	<i>BC</i>	<i>NED</i>	<i>ADcom</i>	<i>BS</i>
ROE	1						
FORown	0.165362	1					
ID	-0.17965	-0.24325983	1				
BC	0.017424	0.41805128	0.228457	1			
NED	-0.11971	-0.44104723	-0.01734	0.209826	1		
ADcom	0.088626	0.594993952	-0.26941	0.565332	0.386244	1	
BS	0.051674	-0.42916741	0.47212	0.371102	0.543265	-0.11319	1

Table 5: The correlation matrix of the variables

Table 4 indicates a correlation matrix between dependant variables and independent variables. Based on the correlation matrix, result shows that a significant positive relationship between ROE and FORown, BC, ADcom & BS which are (0.165362), (0.017424), (0.088626), (0.051674) respectively. It implies that an increase in these variables will also lead to an increase in ROE or vice versa. There is relatively negative

relationship between ROE and ID & NED which are (-0.17965) and (-0.11971) respectively. This means that an increase in these two variables will lead to a decrease in ROE or vice versa. However, a conclusion cannot be drawn based on this result since the variables used here are not enough to support the correlation coefficients.

5.3 The Regression Analysis

Given below are the outcomes of the regression test. Regressing commercial bank performance (dependant variable-ROE) against the independent factors, corporate administration practices (BS, ID, FORown, ADcom, BC, NED). The result is based on the information collected from 10 commercial bank's yearly reports for five years (2014-2018). Therefore, the sample size is 50.

SUMMARY OUTPUT	
<i>Regression Statistics</i>	
Multiple R	0.521999
R Square	0.272483
Adjusted R Square	0.170969
Standard Error	0.04549
Observations	50

Table 6: Summary output of regression analysis

The "Multiple R" speaks to the esteem of "R", the different relationship coefficients. "R" can be considered to be one degree of the quality of the forecast of the subordinate variable; in this case. Agreeing to the above table, around 52% of quality between the factors of the study exists. Meaning that a normal level of strength is watched within the model. Here, R^2 is 0.2724 which is the coefficient of assurance. It suggests that how noteworthy the model is. Be that as it may, for multiple regression model Adjusted R^2 is more significant rather than R^2 . Here, the Adjusted R^2 is 0.1709. It implies that 17.09%

variety within the subordinate variable can be clarified through this multiple regression model..

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	6	0.033326772	0.005554	2.684197	0.026568712
Residual	43	0.088980753	0.002069		
Total	49	0.122307525			

Table 7: The ANOVA table

The above shown ANOVA table states that the model is significance under the 5% significant level, as the significance level here is 0.02 or 2%. We know that in case the P esteem is less than 5%, at that point the model is noteworthy.

<i>Variables</i>	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.037687	0.047842039	0.787743	0.435168
FORown	-0.38143	0.230107387	-1.6576	0.104677
ID	-0.0183	0.007595497	-2.40869	0.020367
BC	-0.01884	0.0118261	-1.5927	0.118552
NED	-0.03272	0.011063256	-2.95778	0.005019
ADcom	0.102807	0.039261528	2.618529	0.012147
BS	0.013836	0.00390656	3.541813	0.000971

Table 8: Coefficients of the variables

In the above shown table, the four variables ID, NED, ADcom and BS are significant, as their p-value is P<0.05. Therefore, it can be concluded that, ID (0.020367), NED (0.005019), ADcom (0.012147), BS (0.000971) are significant variables in determining ROE or Bank's performance. As per the findings, the regression model can be developed as follows,

$$\text{ROE} = 0.037687 + 0.013836 \text{ BS} + (-0.0183) \text{ ID} + 0.102807 \text{ ADcom} + (-0.03272) \text{ NED} + (-0.01884) \text{ BC} + (-0.38143) \text{ FORown}$$

5.3.1 Hypothesis Testing

The hypothesis previously drawn in the report will be tested here to check whether those hypothesis are acceptable or not.

H₁ (Board Size): Based on the primary speculation, it was anticipated that there will be a positive relationship between board measure of the bank and its financial performance. The bigger the board measure is, the superior a firm will perform. Subsequently, comes the primary theory. Concurring to the regression investigation, it is demonstrated that the primary speculation is correct. Since, both the BS & ROE coefficient appears to be positive. It ensnares that in case BS increments by 1 at that point ROE will moreover increment by 0.013836. The p-value too is less than the significance level of 5%, which is 0.000971. It implies that the result is noteworthy. Hence, it can be said that board measure has critical affect on a bank's performance.

H₂ (Audit Committee): The second theory said that there's a positive relationship between audit committee and a bank's performance. It is basically because of the brilliance of the audit individuals. The less the number is the more proficient performance can be accomplished. The regression result moreover appears a positive affect. Both the ROE & ADcom shows positive result. The result shows that in case ADcom increases by 1 at that point ROE will moreover increase by 0.102807. Moreover, the p-value is 0.012147. It implies that the result is noteworthy since it is beneath the centrality level of 5%. Thus, it is clear that the audit committee features a exceptionally critical impact on bank's performance.

H₃ (Non-Executive Directors): The third theory said that there's a positive relationship between the non-executive directors and the bank's performance. The NED might not have coordinate impact on a board of a firm, but it has affect on by and large budgetary

circumstance. Consequently, the third theory was considered being positive. In any case, the regression examination result shows that there's a negative relationship between these two factors. The NED coefficient within the result is (-0.0327). It infers that if NED increments by 1 at that point ROE will diminish by 0.0327. Be that as it may, the p esteem is 0.005019 which is less than 5% importance level. Hence, it can be concluded that in spite of the fact that the relationship is negative, it still could be a significant figure to be considered whereas considering approximately the monetary performance of a bank.

H₄ (Board Committee): The fourth speculation said that there's a positive relationship between the board committee and the bank's performance. The board committee has the sole obligation that which committee will do what employments and in this way can be designated similarly, contributing altogether to the firm's benefit. All things considered, the regression result shows that there's a negative relationship between these two factors. The BC coefficient is appeared as (-0.01884). It implies that in case BC increases by 1 at that point ROE will decrease by 0.01884. Moreover, the p value here is additionally more prominent than the importance level 0.05, which is 0.11855. Hence, it can be considered as inconsequential and questionable and subsequently no critical affect on bank's performance.

H₅ (Independent Directors): The already endeavored fifth speculation said that there's a positive relationship between the independent executives and bank's performance. In any case, the regression result implicates that there's a contradiction between these two factors. The ID coefficient is given as (-0.0183). It recommends that if ID increments by 1 at that point ROE will certainly perish by 0.0183. On the other hand, the p value is 0.02 which is less than the significance level of 0.05. As a result, it can be said that indeed a negative relationship exists between these two factors, it is still considered as a profitable calculate that impacts firm's execution. Hence, the result is noteworthy.

H₆ (Foreign Ownership): The recently said final theory was that there's a negative relationship between outside proprietorship and bank's execution. It was based on the components like diverse set of directions, remote perceptions and some of the time, foreign markets interference within the choice making prepare of administration of the company; which has negative affect on company performance. The regression result moreover appears the same as the speculation. The FORown coefficient within the result is (-0.3814). It infers that if FORown increments by 1 at that point ROE will diminish by 0.3814. On the opposite, the p esteem of FORown is 0.10467, which is more prominent than the centrality level of 0.05. It implies that, the result is insignificant and untrustworthy indeed even if the speculation is rectify. In this manner, there's no affect of FORown on bank's performance.

Chapter 6

Corporate Governance at BRAC Bank Limited

BRAC Bank is focused on keeping up the most elevated benchmarks of corporate administration. BRAC Bank accepts that great administration practices give a strong establishment for the maintainable development of business, advancing moral trade conduct and straightforwardness as they endeavor for making value for their partners. In addition, the corporate qualities and a complete methodology framework embraced by the board, serve to impart to delegates at all levels how exchange should be directed.

The complexities of managing regulatory consistence and the related expenses are a key test for the board. In this setting, the board of BRAC Bank has kept on certification that there are careful structures and shows consistence with every single relevant law and controls. They also, interminably focus on gaining quality of the structures and work towards a culture of consistence.

The board of directors of BRAC Bank contains 9 people, including the Managing Director and CEO. The overseeing director is an official Chief (ex-Officio). Of the 8 non-Executive Directors, 5 are selected by BRAC and 3 (three) are independent directors. In addition, BRAC Bank follows the Corporate Administration standards of Bangladesh Securities and Exchange Commission (BSEC) and the Bank Company (Amendment) Act, 2013, for course of action of independent executives. There are 3 independent directors on the Board of BRAC Bank out of eight Executives.

Agreeing to the yearly report of 2018, there were 18 board gatherings set for the Chairman and the executives of BRAC Bank. The compensation moreover depends on the participation of the occupant in a meeting. The compensation per assembly is set to

BDT8,000. BRAC Bank moreover has claim code of conducts for the chairman and the directors.

Chapter 7

Reasoning

7.1 Summary of Findings

This report determines the impact of corporate governance on commercial bank's performance in Bangladesh. To do so, the report has gone through some statistics and empirical analysis to prove the issue. The below mentioned findings are obtained while doing this report:

1. Failure in the factors of corporate governance which creates an obstacle for a sound financial performance.
2. Following the laws, regulations and accounting standards of British administration caused undeveloped corporate governance.
3. Poor equity market in Bangladesh result into unsteady valuations of companies.
4. The board committee and outside proprietorship has no noteworthy affect on deciding the budgetary performance of a bank.
5. The undesirable banking practices such as destitute risk diversification, insufficient credit assessment, false exercises are as much as dependable as other macroeconomics calculate for falling apart monetary wellbeing of a bank.
6. Absence of appropriate checking and control components ruins the potential great impact of monetary advancement on the financial growth.
7. The board estimate, audit committee and the independent executives have the foremost affect on the performance of a firm.
8. The experimental result appears that the bank performance depend on the level of corporate governance practices.

9. The improvement and proper controlling over the corporate governance mechanisms can bring profitable performance in a bank.

7.2 Recommendations

1. There could be a require for commercial banks to comply with corporate administration necessities and best practices so as to maintain a strategic distance from bank closure and situation beneath legal administration which may actuate a few monetary volatility.
2. The government should work towards stabilizing the macroeconomic situation to extend commercial banks performance.
3. There is require for the Bangladesh Bank to extend the bank supervision and control on the commercial banks to improve keeping money security and maintainability. This will moreover serve to move forward the competency of the commercial banks within the monetary showcase.
4. The directors ought to uncover their exercises to the open through audited financial explanations. This would offer assistance to the bank to pull in and return its clients and speculators if directors practice their obligations in a moral way.

7.3 Conclusion

The report examined the affect of corporate governance on bank's execution on the 10 recorded commercial banks in Bangladesh. Discoveries of this report is vigorous as there's a critical relationship among the factors but for Foreign proprietorship and Board committee. In this report, unmistakable point of view of guidelines and controls of corporate organization and its practices on the bank's performance in Bangladesh have been investigated and examined. In light of the outcome, certain revelations have turned out and a couple of proposition have been given to push ahead the circumstance towards

winning in the field of corporate administration. Besides, this report has its own esteem to the organizer and controllers since there has been used an experimental examination with legitimate defence. The report too says that whereas much accentuation on corporate administration instruments is essential to protect the intrigued of shareholders, incredible corporate administration all alone can't make an organization viable. Firms need to modify corporate governance structure with key drivers of performance by executing key choices and risk administration with the right utilization of company's assets. Great corporate governance with these variables can accomplish more prominent monetary execution.

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Appendix

Banks	Year	ROE	FORown	ID	BC	NED	ADcom	BS
BRAC Bank	2014	1.09%	5.51%	3	2	8	3	5
	2015	1.13%	5.48%	3	2	8	3	7
	2016	1.89%	0.00%	3	2	8	3	7
	2017	2.02%	8.32%	3	2	8	3	7
	2018	1.87%	8.32%	3	2	8	3	8
AB Bank	2014	6.95%	2.19%	2	3	7	2	13
	2015	6.03%	1.84%	2	3	7	2	13
	2016	5.68%	1.62%	2	3	7	2	13
	2017	0.13%	1.97%	2	3	7	2	13
	2018	0.08%	1.15%	2	3	7	2	13
DBBL	2014	16.20%	25.70%	2	3	4	3	7
	2015	19.30%	25.70%	2	3	4	3	7
	2016	10.30%	25.70%	2	3	4	3	7
	2017	13.20%	25.70%	2	3	4	3	7
	2018	19.70%	25.70%	2	3	4	3	7
Prime Bank	2014	10.08%	3.79%	4	4	11	3	17
	2015	8.41%	4.67%	4	4	11	3	17
	2016	8.49%	3.60%	4	4	11	3	17
	2017	4.24%	3.75%	4	4	11	3	17
	2018	8.60%	3.08%	4	4	11	3	17
Bank ASIA	2014	14.09%	0.34%	5	3	6	2	16
	2015	14.36%	0.32%	5	3	6	2	16
	2016	8.13%	0.39%	5	3	6	2	16
	2017	10.21%	0.65%	5	3	6	2	16
	2018	10.09%	0.38%	5	3	6	2	16
IFIC Bank	2014	15.66%	0.43%	2	2	6	2	8
	2015	7.96%	0.43%	2	2	6	2	9
	2016	9.91%	0.70%	2	2	6	2	7
	2017	12.39%	0.70%	2	2	6	2	7
	2018	7.36%	1.80%	2	2	6	2	7

NRBC Bank	2014	11.75%	2.00%	1	2	10	3	13
	2015	11.55%	2.10%	1	2	10	3	13
	2016	15.97%	1.80%	1	2	10	3	13
	2017	15.30%	1.80%	1	2	10	3	13
	2018	13.89%	1.17%	1	2	10	3	13
SouthEast Bank	2014	9.80%	23.61%	2	5	8	4	11
	2015	11.86%	23.61%	2	5	8	4	11
	2016	9.06%	23.61%	2	5	8	4	11
	2017	4.46%	23.61%	2	5	8	4	11
	2018	9.17%	23.61%	2	5	8	4	11
Dhaka Bank	2014	15.92%	0.00%	3	4	9	3	12
	2015	10.74%	0.60%	3	4	9	3	12
	2016	10.15%	0.15%	3	4	9	3	12
	2017	9.21%	0.13%	3	4	9	3	12
	2018	8.18%	0.90%	3	4	9	3	12
Mercantile Bank	2014	9.11%	0.00%	2	3	10	3	13
	2015	9.60%	0.00%	2	3	10	3	13
	2016	13.78%	0.00%	2	3	10	3	13
	2017	17.55%	0.00%	2	3	10	3	13
	2018	16.55%	0.00%	2	3	10	3	13